

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

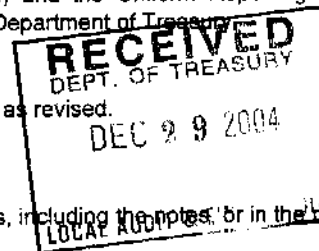
Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>City of Grand Rapids</b>	County <b>Kent County</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>11/2/04</b>	Date Accountant Report Submitted to State: <b>12/27/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- |   |   |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.		✓	
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).		✓	

Certified Public Accountant (Firm Name)

**BDO Sediman, LLP**

Street Address

**99 Monroe Ave. NW Suite 800**

City

**Grand Rapids**

State

**MI**

ZIP

**49503**

Accountant Signature

*Steward L. ...*

Date

**12/16/04**

## DeVos Place Convention Center

cover photo courtesy of Progressive AE

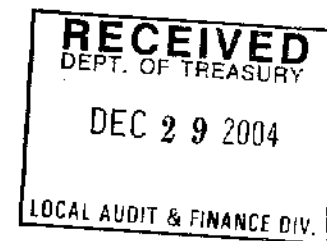
Pictured on the cover is the Monroe Avenue facade of the DeVos Place Convention Center. This \$220 million project features a distinctive wave shaped roof, covering 162,000 square feet of column-free space in the DeVos Place Exhibit Hall. The glass roofed Grand Gallery, seen in the foreground, is a pedestrian street connecting downtown Grand Rapids with the Riverfront Promenade along the Grand River. To be completed in early 2005, the entire complex extends for two blocks along the Grand River from the restored facade and lobby of the 1932 Art Deco Welch Auditorium to the distinctive modern design photographed. The DeVos Place Convention Center will encompass over one million square feet of enclosed space in the heart of Grand Rapids, including the renovated 2,446-seat DeVos Hall performance venue, two floors of dividable meeting space, and a 40,000 square foot ballroom—one of the largest in the nation.

This impressive new facility supports the renaissance of downtown Grand Rapids by enabling the City to once again play host to mid-size regional and national conventions. The DeVos Place Convention Center was designed by the local architectural firm, Progressive AE. They blended expansive public spaces, intended to facilitate personal interactions among convention attendees, with quiet work spaces designed for cell phone use and internet access, allowing attendees to stay connected to the world. Technology embedded in the walls and floor enables multi-configurations of meeting spaces and furniture to suit the needs of any speaker or presentation. The result is a convention center leading the way into the future, ready to accommodate tomorrow's high-performance meetings today.

Additional information about this project can be found at the following web sites:

[www.ProgressiveAE.com](http://www.ProgressiveAE.com)

[www.visitgrandrapids.org](http://www.visitgrandrapids.org)



**CITY OF GRAND RAPIDS, MICHIGAN**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Year Ended June 30, 2004

Prepared by:

Comptroller's Office  
Stan A. Milanowski  
Comptroller

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**Elected Officials**

Mayor

George Heartwell

Commissioners

Robert Dean  
James Jendrasiak  
Lynn Rabaut  
Roy Schmidt  
Rick Tormala  
James White

Comptroller

Stan A. Milanowski

**Appointed Officials**

City Manager

Kurt F. Kimball

City Attorney

Philip A. Balkema

City Treasurer

Albert C. Mooney

City Clerk

Mary T. Hegarty

**City of Grand Rapids, Michigan**  
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# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Grand Rapids,  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

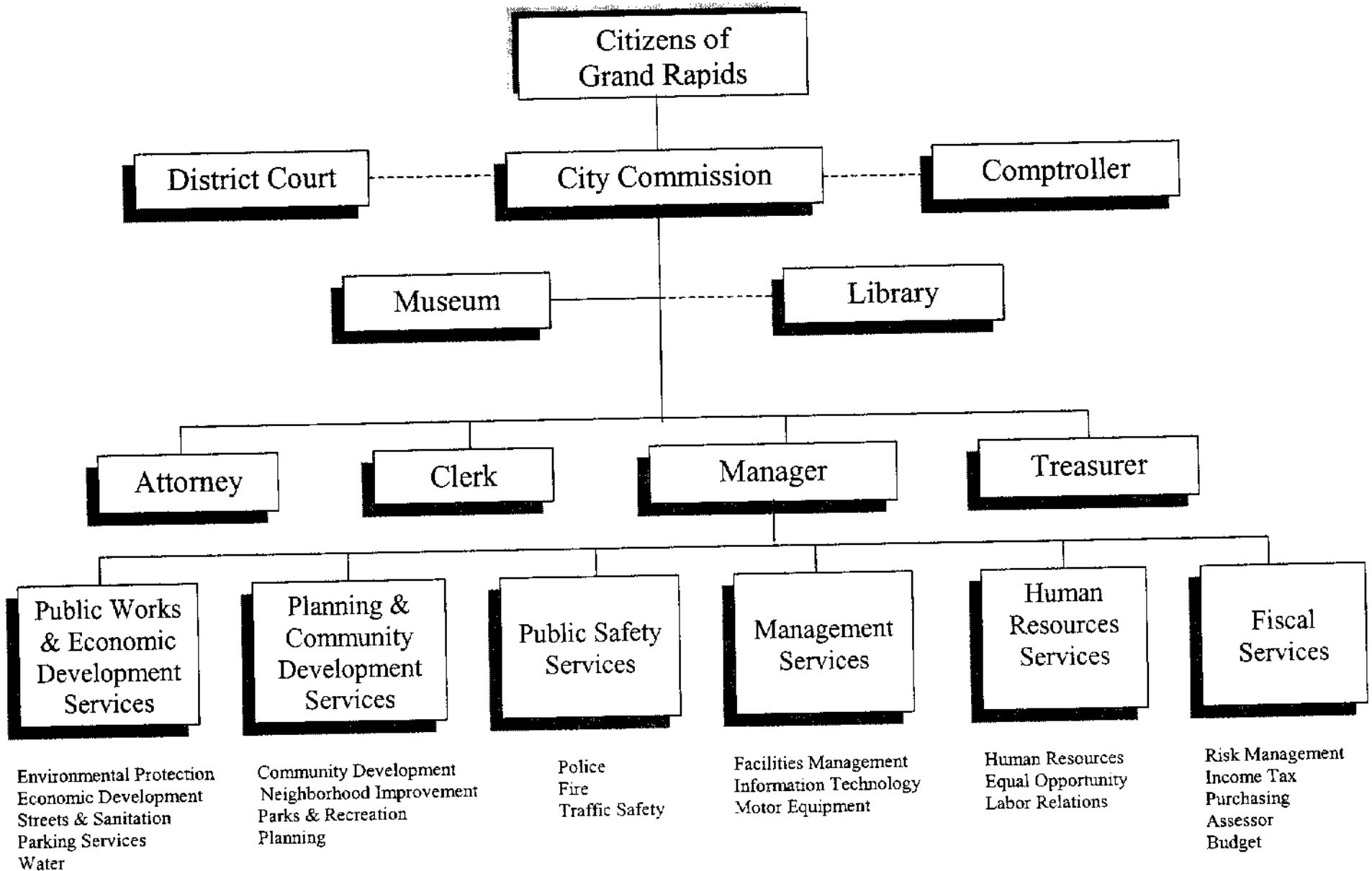


President

Executive Director



# CITY OF GRAND RAPIDS ORGANIZATION CHART



City  
Comptroller  
Stanley A. Milanowski



## CITY OF GRAND RAPIDS

December 17, 2004

Honorable Mayor, City Commissioners and Citizens  
City of Grand Rapids, Michigan

The Comprehensive Annual Financial Report of the City of Grand Rapids, Michigan for the fiscal year ended June 30, 2004, is submitted herewith. This report was prepared by the City Comptroller's Office. Responsibility for the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds, account groups and component units. The financial statements have been prepared in compliance with applicable statutes of the State of Michigan and generally accepted accounting principles. BDO Seidman, LLP, independent accountants, have audited the basic financial statements. All disclosures necessary to enable the reader to understand the City's financial affairs have been included.

### REPORT FORMAT

This Comprehensive Annual Financial Report is presented in three main sections:

1. **INTRODUCTORY SECTION** - Includes the Table of Contents, Certificate of Achievement for Excellence in Financial Reporting for the year ended June 30, 2003, the City Organizational Chart, and this Transmittal.
2. **FINANCIAL SECTION** - Contains the required narrative introduction, the auditor's opinion, overview and analysis prepared by management in the form of Management's Discussion and Analysis (MD&A), the government-wide and fund level financial statements, which together with the notes to the financial statements, comprise the Basic Financial Statements. These statements provide an overview for users who require less detailed information about the City's finances than is contained in the balance of this report. The remainder of the financial section presents required supplemental information, combining statements, individual fund statements, schedules and fund descriptions.
3. **STATISTICAL SECTION** - Consists of tables that depict both financial and non-financial data on a current and historical basis. The information is designed to reflect social and economic data, financial trends and the fiscal capacity of the City. This section is unaudited.

The City of Grand Rapids is required to undergo an annual single audit of federal grants in conformity with the provisions of the Single Audit Act of 1984, as amended, and the U.S. Office of Management and Budget's circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Information related to this single audit, including a Schedule of Expenditures of Federal Awards, the independent accountants' report on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are contained in a separately issued report. A copy of that report can be obtained by contacting the City Comptroller's office at City Hall.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of MD&A. This letter of transmittal is designed to complement the information contained in the MD&A and should be read in conjunction with it.

### **THE REPORTING ENTITY**

The financial reporting entity includes all of the funds of City, as well as all of its component units. Component units are legally separate entities for which the primary government is financially accountable. The following component units are incorporated into the City's Comprehensive Annual Financial Report on either a blended or discrete basis:

Grand Rapids Building Authority (GRBA)  
City of Grand Rapids General Retirement System  
City of Grand Rapids Police and Fire Retirement System  
Grand Rapids Downtown Development Authority (DDA)

Grand Rapids Tax Increment Financing Authority (TIFA)  
Grand Rapids SmartZone Development (SmartZone Authority)  
Grand Rapids Brownfield Redevelopment (Brownfield Authority)

Blended component units, although legally separate entities, are part of the primary government's operations and are included as part of the primary government. Accordingly, the activities of the GRBA have been blended within the primary government's activities included in the Auto Parking System and various capital projects and debt service funds of the City of Grand Rapids. The City of Grand Rapids General and Police and Fire Retirement Systems have been reported as pension trust funds within the fiduciary funds.

Discretely presented component units are segregated from the primary government in the government wide financial statements. This emphasizes that they are legally separate from the primary government. The DDA, the TIFA, the SmartZone, and the Brownfield Authority are reported as discretely presented component units.

The City of Grand Rapids and County of Kent Joint Building Authority (JBA) and the Convention Arena Authority (C/AA) are also legally separate entities. These two joint ventures with Kent County are excluded from these financial statements.

## PROFILE OF THE GOVERNMENT

The City of Grand Rapids is the second largest city in the State of Michigan and 100<sup>th</sup> largest in the United States. The City of Grand Rapids encompasses an area of nearly 45 square miles with a population of approximately 200,000 per the most recent census estimate. It is located in west central Michigan, approximately 30 miles east of Lake Michigan and 65 miles west of Lansing, the State Capitol. Approximately one-half of the City's general governmental revenues are derived from real and personal property taxes and the City income tax. The City income tax is imposed at a rate of 1.3 percent on income of City residents and 0.65 percent on income earned within the City limits by non-residents.

The City was incorporated on April 2, 1850. On August 29, 1916, the people of Grand Rapids voted to adopt a Home Rule Charter that abolished their old alderman system and replaced it with a Commission-Manager form of government. The 1916 charter is still in effect, although it has been amended several times. All elected City offices are non-partisan. Two commissioners are elected from each of the City's three wards. The Mayor is elected-at-large. The Comptroller is elected-at-large and his office is responsible for monitoring the financial activities of the City Commission and all City departments. Terms of office are four years, with three commissioners and the mayor or Comptroller elected every two years. The City Manager is appointed by the City Commission to serve as the City's chief administrator, and is responsible for the coordination of all City departments and execution of City Commission policies and programs. The seven member Library Board is also elected at-large and is responsible for the operations of the library system.

The City of Grand Rapids provides its citizens with a full range of services including police, fire, inspection, economic development, street lighting, street maintenance, refuse collection and recreation. In addition, the City operates a water and sewer system that provides retail service to some 75,000 customers in the City of Grand Rapids and suburban communities as well as wholesale service to other communities that operate their own municipal water and sewer systems. The City's Traffic Safety Department is responsible for the maintenance of traffic signals throughout Kent and eastern Ottawa Counties. The City's Public Museum, the oldest in Michigan, continues to bring the past alive for west Michigan.

## FACTORS AFFECTING FINANCIAL CONDITION

*The Local Economy* The City of Grand Rapids is advantaged by a highly diversified local economy. As shown in the Statistical Tables, the ten largest taxpayers in the City of Grand Rapids collectively account for less than ten percent of the total taxable property within the city. The Grand Rapids Metropolitan Statistical Area (defined as Kent, Ottawa, Muskegon and Allegan counties) has the nation's highest percentage (23%) of manufacturing employment in labor markets of 500,000 or more workers. In spite of our diversified economy, the importance of manufacturing to the local and state economies has resulted in the region hurting more than the nation as a whole from the lackluster economic

recovery and import competition powered by the under-priced Chinese currency. During fiscal 2004, unemployment in the metro area averaged slightly below the State of Michigan as a whole. Conversely, the unemployment rate for city residents started the period at 11.9%, ending the period at 9.4%, one-third higher than the metro area as a whole. When the overall economy exhibits stronger growth, Michigan, and metro Grand Rapids in particular, should outpace the national economy. People want to live in Grand Rapids! Partners for Livable Communities named Grand Rapids one of the best places in America to be in 2004. In a survey of 129 world regions by Robert Huggins Associates to develop the World Knowledge Competitiveness Index, the Grand Rapids metro area ranked number one in per capita private equity investment and R&D expenditures by business and ranked number three overall. These advantages will inevitably power local growth of profits, jobs and city revenues. In fact, the city unemployment rate has continued to fall since June, despite increased energy and steel costs.

The City of Grand Rapids Police Department and County Courthouse moved to new quarters in 2002 to make way for construction of DeVos Place. This \$220 million dollar convention center on the downtown riverfront opened in November 2003. New hotel development to accommodate conventioners is being planned by local and national developers. The Frederik Meijer Gardens and Sculpture Park continues the expansion of its internationally known sculpture collection and extensive horticultural displays. The Grand Rapids Art Museum broke ground in September 2004 for a new 125,000 square foot home in the heart of the downtown district. These facilities, added to the Grand Rapids Public Museum, the Gerald R. Ford Presidential Museum, and a thriving entertainment district, make downtown Grand Rapids an attractive spot for conventions, regional and national events, and local citizens alike.

The City of Grand Rapids continues to expand as a regional health care center. The largest of the three local hospitals, Spectrum Health, has just completed the \$86 million Fred and Lena Meijer Heart Center. Completion of the \$42 million Richard J Lacks Sr. Cancer Center at St. Mary's Mercy Medical Center is scheduled for December 2004. Hi-tech facilities like these and their highly trained medical staffs draw patients from the entire region for the finest in medical care. These facilities also attract medical students from across the country to specialized residency programs at local hospitals, placing Grand Rapids at or near the top of medical education programs in cities without a medical college. Talks are currently under way to remedy this shortcoming by relocating the Michigan State University Medical College from East Lansing to Grand Rapids.

The City currently boasts a broad and exciting community of colleges and universities. Grand Valley State University continues its expansion of university facilities in the downtown area. Thomas M. Cooley Law School of Lansing is finishing construction of a 100,000 square foot facility adjacent to downtown that will be a branch campus offering legal education for the first time at a local facility. In addition, all of the eleven colleges and universities with campuses in Grand Rapids have either just completed, or currently have major facility construction underway.

All of this activity has spawned a renewed vitality for Grand Rapids and created a downtown, urban living district as well. Turn of the century commercial and industrial structures near the center city are being rehabilitated into residential condos and apartments. Appealing to younger professionals and established urbanites as well, these downtown residences add color and sustainability to the City's small urban environment.

**City Initiatives.** City staff is completing the final phase of a major project that provides substance to the City slogan, "Building a Better Grand Rapids ... By Design." The third Master Plan for the City of Grand Rapids was the culmination of three years of planning and community involvement. The revision of the 1960's-era zoning ordinances this year to accommodate the Master Plan's vision of mixed use development will be the final piece in the framework that will guide the City's continued revitalization and growth as an excellent place to live, work, and raise a family. This new vision has been recognized and supported by two "Cool Cities" grants from the State of Michigan that will assist with the implementation of historically sensitive renovations in two neighborhoods.

The City Commission continues to focus on the needs of the citizens of Grand Rapids and is committed to the vitality and development of the City's historical areas. The Economic Development Office uses a broad array of tax abatements, state and federal grants, and advocacy to redevelop older properties and to help businesses expand. All available tools for drawing economic development, jobs and quality residential resources into the City are in use. In cooperation with State authorities, the City has created multiple "SmartZones" to attract high-tech businesses and to support start-up enterprises, Brownfield Redevelopment Zones to remediate and rehabilitate contaminated sites and obsolete facilities, and other programs to bolster the City vitality.

**Financial Controls.** The City is responsible for establishing and maintaining internal control structures designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structures are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management. As a recipient of federal, state and local financial assistance, the City is also responsible for ensuring that adequate internal control structures are in place to document compliance with applicable laws and regulations related to these programs. These internal control structures are subject to periodic evaluation by management, the internal audit staff of the City, and outside auditors.

The City maintains extensive budgetary controls. The objective of these controls is to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the City Commission. Activities of substantially all of the funds of the primary government are included in the annual appropriated budget. The City continues to meet its responsibility for sound financial management.

**Debt Administration.** At year-end, the City had a number of debt issues outstanding. As a result of continued fiscal health, the City maintained high marks from both Standard & Poor's (AA), and Moody's Investor Service (Aa2), on bond issues backed by the limited full faith and credit pledge of the City. These high ratings are instrumental in securing favorable interest rates for long-term obligations issued by the City.

**Cash Management Policies and Practices.** Cash is invested by the City Treasurer's Office according to State Law, City Code, and the City of Grand Rapids Investment Policy. The investment policy is a comprehensive document controlling the types of investments the City can make, the process whereby competitive investment bids are taken and the setting of related reporting standards. The City has substantially all of its available cash invested in some form of interest earning account. Cash and investments are insured to the extent allowed by the Federal Deposit Insurance Corporation and the Securities Investor Protection Corporation. In addition, investments are placed only with institutions that

meet certain criteria in the City's investment policy and which have been previously approved by City Commission resolution. Though a significant portion of the City's cash and investments are uninsured and uncollateralized, the City's investment policy is utilized to monitor protection of principal.

***Pension, health and other benefits.*** The City of Grand Rapids sponsors two single-employer defined benefit pension plans that cover substantially all full-time employees. Employer contributions are made bi-weekly to each of the funds based on an annual analysis of plan assets and liabilities prepared by an independent actuary. At the actuarial valuation dates of June 30, 2003 and December 31, 2003, the decline of the stock market over the past few years had had a significant impact on the investment portfolio of these two funds. Since 2001, both funds have swung from substantially overfunded positions to modestly underfunded. As a result, the ten-year contribution holiday to the Police and Fire Pension System ended and the City's required contributions to the General Retirement System fund increased in fiscal year 2004 by \$4.3 million. The increased pension costs have created a noticeable but manageable stress on resources. Looking forward, projected pension plan contributions for fiscal 2005 were substantially reduced by a recovery in the financial markets and changing the fiscal year end of the Police and Fire plan from June to December to take advantage of that recovery.

The City of Grand Rapids provides post-retirement health and dental care benefits to qualified retirees and their dependants until the retiree reaches age 65. At June 30, 2004 there were 446 retirees and their families eligible for benefits. These are currently financed on a pay-as-you-go basis.

City Management has been proactive in making administrative changes, changing co-pays and taking other actions that kept health care costs even with the prior year. The relentless increase in health care costs will continue to add to financial pressures on the City. The budget for the current fiscal year anticipates a 17% increase in total health care costs for employees and retirees. For active employees, health care will cost almost 19% of gross pay.

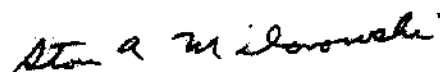
### **OTHER INFORMATION**

***Awards.*** The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Grand Rapids for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2003. The City has received this award for over twenty years. In order to be awarded a Certificate of Achievement, a governmental unit must publish a user-friendly and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA.

In addition, the City has also received the GFOA's award for Distinguished Budget Presentation for the sixteenth consecutive year for its budget document for the fiscal year beginning July 1, 2003. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operating guide, as a financial plan and as a communications medium. We believe that the City's budget for the fiscal year beginning July 1, 2004 continues to conform to program requirements, and have submitted it to the GFOA to determine its eligibility for another award.

*Acknowledgments.* The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire staff of the Comptroller's Office. I express my appreciation to all members of the Comptroller's Office who assisted and contributed to its preparation. I would also like to thank the members of the City Commission and the City Manager and his staff for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Stan A. Milanowski  
City Comptroller





**BDO Seidman, LLP**  
Accountants and Consultants

99 Monroe Avenue N.W., Suite 800  
Grand Rapids, Michigan 49503-2698  
Telephone: (616) 774-7000  
Fax: (616) 776-3680

## Independent Auditors' Report

The Honorable Members of  
the City Commission  
City of Grand Rapids, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of Grand Rapids, Michigan (the City) as of and for the year ended June 30, 2004 (six months ended December 31, 2003 for the Police and Fire Pension System), which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the City. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information at June 30, 2004 (December 31, 2003 for the Police and Fire Pension System), and the respective changes in financial position and cash flows of its proprietary fund types for the year then ended (six months for the Police and Fire Pension System) in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated November 2, 2004, on our consideration of the City of Grand Rapids' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Management's Discussion and Analysis and the budgetary comparison schedules on pages 61-65 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Grand Rapids. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*BDO Seidman, LLP*

Grand Rapids, Michigan  
November 2, 2004

## City of Grand Rapids, Michigan Management's Discussion and Analysis

As the management of the City of Grand Rapids (the "City") we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with the information that we have furnished in our letter of transmittal, in the introductory section of this report.

### Financial Highlights

- The Net Assets of the City is the amount by which the City's assets exceeded its liabilities. At June 30, 2004, net assets totalled \$546,153,875. The unrestricted portion of this amount, \$149,737,578, may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$5,280,514. This increase resulted from an increase in net assets of business activities of \$17,741,929 partially offset by a reduction of \$12,461,415 in governmental activities net assets. The increase in business-type activities' net assets accumulated from increases in all proprietary funds on strong revenues from existing facilities plus the impact of the second ice rink at Belknap and strong volume growth in water and sewer operations. Governmental activities' net assets declined partially due to the winding down of major construction projects. Declining income tax and state shared tax revenues cut into net assets as the effect of expense controls did not sufficiently offset revenue declines to prevent a drop in all major governmental funds except the major streets fund.
- At June 30, 2004, the City's governmental funds reported combined ending fund balances of \$65,948,564. This is a decrease of \$15,018,634 from the prior year. Approximately half of this decrease is due to the Street Capital Projects, General Capital Projects and the Grand Rapids Building Authority. These funds have large capital projects that have neared completion and the accumulated resources required to complete these projects have been utilized resulting in a decrease of fund balances. Of the total fund balance for governmental funds \$31,619,538, is available for spending at the government's discretion (*unreserved fund balance*).
- The general fund balance saw a decline of \$4,155,179. At June 30, 2004, the undesignated general fund balance stands at 5.2% of 2004 general fund expenditures, compared with 5.6% in 2003.
- The City's total debt decreased by \$14,285,616 during the current fiscal year. Payments reducing debt totaled \$21,953,686 including \$4,018,960 in refinanced debt, and new debt issues totaled \$7,668,070. The new debt issued included Municipal Purchase Notes and a refunding of the Silver Creek bonds held by the county. The first was for new money to purchase fire protection equipment and other vehicles and the second was a refunding issue (\$4,308,070) to pay off bonds and capture a net present value savings of approximately \$199,000.
- A schedule of the City's long-term obligations can be found in Note 6 of the notes to financial statements.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-wide financial statements:** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, and urban and community development. The major business-type activities of the City include the Water Supply System, Sewage Disposal System, and the Auto Parking System.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also four legally separate authorities for which the City is financially accountable. They are a Downtown Development Authority, a Tax Increment Finance Authority, a SmartZone Authority, and a Brownfield Redevelopment Authority. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

**Fund financial statements:** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds:** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers will better understand the long-term impact of the government's near term financing decisions.

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains nine major and fifteen non-major individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and all major special revenue and capital project funds. Data from the non-major governmental funds are combined in a single column presentation on the governmental funds statements. Individual fund data for each of these non-major governmental funds is provided in the *combining statements* section of this report.

The City adopts an annual appropriated budget for most of its governmental funds. Budgetary comparison statements have been provided for the major funds to demonstrate compliance with this budget. Budget comparison statements have also been provided for the non major funds. These can be found in the required supplementary information section of this report.

**Proprietary funds:** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water Supply System, Sewage Disposal System, Auto Parking System, Cemeteries and Belknap Ice Arena. *Internal service funds* are used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its Department of Information Technology, Motor Equipment System, Facilities Management, Central Stores, and the Insurance Payment Fund. The internal service funds have been allocated to both *business activities* and to *governmental activities* in the government-wide Statement of Activities.

The proprietary fund financial statements provide separate information for the major enterprise funds of the City. The non-major enterprise funds and the internal service funds are each combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds and internal service funds are provided in the *combining statements* section of this report.

**Fiduciary funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The City uses fiduciary funds to account for its Pension trust, Private-purpose and Agency funds.

**Notes to the financial statements:** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

**Other information:** In addition to the basic financial statements and the accompanying notes, this report also presents certain *required supplementary information* as required by GASB statement 34 regarding the City's budgetary comparison of the general fund and four major special revenue funds. This supplementary information is contained behind its own tab following the notes to financial statements

Also included under the tab "statistical section" are various statistical tables containing information presented to assist the reader in further evaluating the financial information and the overall position of the City.

## Government-wide Financial Analysis

City of Grand Rapids' Net Assets						
	Governmental Activities 2004	Governmental Activities 2003 (Restated-Note 11)	Business-Type Activities 2004	Business-Type Activities 2003 (Restated-Note 11)	Total Primary Government 2004	Total Primary Government 2003 (Restated-Note 11)
Current and other assets	\$ 110,996,946	\$ 131,627,273	\$ 121,277,529	\$ 125,136,618	\$ 232,274,475	\$ 256,763,891
Capital assets, net of accumulated depreciation	215,307,630	218,159,342	526,705,113	509,706,802	742,012,743	727,866,144
Total Assets	<u>\$ 326,304,576</u>	<u>\$ 349,786,615</u>	<u>\$ 647,982,642</u>	<u>\$ 634,843,420</u>	<u>\$ 974,287,218</u>	<u>\$ 984,630,035</u>
Current liabilities	\$ 25,366,367	\$ 39,890,075	\$ 27,811,552	\$ 18,229,114	\$ 53,177,919	\$ 58,119,189
Non-current liabilities	135,538,331	132,035,247	239,417,093	253,602,238	374,955,424	385,637,485
Total Liabilities	<u>\$ 160,904,698</u>	<u>\$ 171,925,322</u>	<u>\$ 267,228,645</u>	<u>\$ 271,831,352</u>	<u>\$ 428,133,343</u>	<u>\$ 443,756,674</u>
Net assets						
Invested in capital assets, net of related debt	\$ 94,804,365	\$ 95,971,286	\$ 279,644,764	\$ 251,630,423	\$ 374,449,129	\$ 347,601,709
Restricted	14,354,672	33,675,895	7,612,496	5,889,141	21,967,168	39,565,036
Unrestricted	56,240,841	48,214,112	93,496,737	105,492,504	149,737,578	153,706,616
Total Net Assets	<u>\$ 165,399,878</u>	<u>\$ 177,861,293</u>	<u>\$ 380,753,997</u>	<u>\$ 363,012,068</u>	<u>\$ 546,153,875</u>	<u>\$ 540,873,361</u>

As noted earlier, net assets serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$546,153,875 at June 30, 2004 and \$540,873,361 at June 30, 2003. The increase primarily reflects strong revenues in business-type activities but a decline in governmental net assets from lower tax revenues and level to higher expenses in the governmental activities.

The City's current and other assets decreased by \$24,251,773 or 9.4%. The decrease was due primarily to the normal expenditures of current assets on construction projects.

The total liabilities decreased 3.5% or \$15,623,331. Current liabilities decreased primarily due to lower spending levels from tighter budgetary controls and reduced activity in construction. Long-term liabilities decreased due to the payment of debt.

By far, the largest portion of the City's net assets (68.6%) is its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Restricted net assets represent resources that are subject to external restrictions on how they may be used. The City's restricted net assets are primarily restricted for debt service and authorized capital projects. The remaining balance of *unrestricted net assets* (\$149,737,578) may be used to meet government's ongoing obligations to citizens and creditors.

At June 30, 2004, the City is able to report positive balances in all three categories of net assets.

### Capital Asset and Debt Administration

City of Grand Rapids' Capital Assets (net of depreciation)						
	Governmental Activities 2004	Governmental Activities 2003 (Restated-Note 11)	Business-Type Activities 2004	Business-Type Activities 2003 (Restated-Note 11)	Total 2004	Total 2003
Land	\$ 16,363,741	\$ 16,357,963	\$ 10,253,651	\$ 9,743,651	\$ 26,617,392	\$ 26,101,614
Land improvements	18,802,358	19,505,716	6,939,209	7,185,185	25,741,567	26,690,901
Buildings and structures	128,018,992	126,198,623	99,388,048	83,613,713	227,407,040	209,812,336
Leasehold improvements	39,543	65,020	-	-	39,543	65,020
Storage tanks	-	-	6,830,383	5,929,776	6,830,383	5,929,776
Machinery and equipment	12,366,399	8,183,430	47,212,249	48,623,347	59,578,648	56,806,777
Motor vehicles	16,832,046	18,591,955	421,519	527,595	17,253,565	19,119,550
Furniture	2,549,859	975,882	382,822	329,712	2,932,681	1,305,594
Water and sewer mains	-	-	339,488,727	325,116,563	339,488,727	325,116,563
Infrastructure	7,675,115	6,934,916	-	-	7,675,115	6,934,916
Construction in progress	12,659,577	21,345,839	15,788,505	28,637,260	28,448,082	49,983,099
Total	<u>\$ 215,307,630</u>	<u>\$ 218,159,344</u>	<u>\$ 526,705,113</u>	<u>\$ 509,706,802</u>	<u>\$ 742,012,743</u>	<u>\$ 727,866,146</u>

**Capital assets:** The City's investment in capital assets for its governmental and business type activities as of June 30, 2004 amounts to \$742,012,743 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, furniture, and some infrastructure. The increase in the City's investment in capital assets for the current fiscal year (before depreciation allowance) was over \$21 million.

Major capital asset events during the current fiscal year included the following:

- Grand Rapids Building Authority completed the Monroe Center Parking Ramp II project at a cost of \$12,887,115.
- Construction continued on Phase II of the Community Archive and Research Center. Construction in progress as of the close of the fiscal year had reached \$6,170,288.
- Various Library facilities improvements were completed during the year at a cost of \$4,170,901 bringing the total cost of completion to \$35,045,594.

- Various additions and improvements were completed in the Water Supply System at a cost of \$15,800,962. Construction in progress on additional projects as of June 30, 2004 had reached \$2,336,869.
- Various additions and improvements were completed in the Sewage Disposal System at a cost of \$16,600,477. Construction in progress on additional projects as of June 30, 2004 had reached \$13,451,636.

Additional information on the City's capital assets can be found in note 5 of the notes to the financial statements.

City of Grand Rapids' Outstanding Debt						
Limited Tax Bonds, Revenue Bonds and Long-term Contracts						
	Governmental Activities 2004	Governmental Activities 2003	Business-Type Activities 2004	Business-Type Activities 2003	Total 2004	Total 2003
Limited tax pledge bonds	\$ 64,717,386	\$ 67,930,517	\$ 19,257,614	\$ 20,339,483	\$ 83,975,000	\$ 88,270,000
Revenue bonds	30,855,000	30,855,000	236,203,505	246,260,392	267,058,505	277,115,392
Long-term contracts	25,876,561	25,687,539	2,295,500	2,418,250	28,172,061	28,105,789
Total	<u>\$ 121,448,947</u>	<u>\$ 124,473,056</u>	<u>\$ 257,756,619</u>	<u>\$ 269,018,125</u>	<u>\$ 379,205,566</u>	<u>\$ 393,491,181</u>

**Long-term debt:** At June 30, 2004, the City had total long-term debt outstanding of \$379,205,566. Of this amount \$83,975,000 comprises limited tax full faith and credit general obligations. Limited tax full faith and credit general obligation bonds require the City to provide sufficient moneys from its general fund as a first budget obligation for principal and interest, including the collection of ad valorem taxes which the City is authorized to levy on all taxable property within its boundaries. Such tax levies however are subject to applicable statutory, constitutional and charter tax limitations. The remainder of the City's debt represents bonds secured solely by specified revenue sources and long-term contracts. These long-term contracts are general obligations of the City.

The City's total bonded debt does not include the June 30, 2004 balance of the City of Grand Rapids and County of Kent Building Authority bonds of \$82,158,904 issued December 21, 2001. These bonds were issued to finance a substantial portion of the new DeVos Place Convention Center Facility. The County of Kent has the sole responsibility for the repayment of this debt through their Hotel/Motel tax receipts. The City is not liable for the payment of principal or interest and therefore has excluded them from the financial statements.

New debt issued in 2004 was a \$3,360,000 Municipal Purchase Note to fund the acquisition of fire protection equipment and other vehicles.

All normally scheduled debt payments were made during 2004.

Additional information on the City's long-term debt can be found in note 6 in the notes to the financial statements.

**Changes in Net Assets:**

**City of Grand Rapids' Changes in Net Assets**

	Governmental Activities 2004	Governmental Activities 2003 (Restated-Note 11)	Business-Type Activities 2004	Business-Type Activities 2003 (Restated-Note 11)	Total Primary Government 2004	Total Primary Government 2003 (Restated-Note 11)
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for services	\$ 36,510,113	\$ 33,773,357	\$ 80,830,792	\$ 83,930,045	\$ 117,340,905	\$ 117,703,402
Operating grants and contributions	15,608,878	13,588,641	7,513,430	526,411	23,122,308	14,115,052
Capital grants and contributions	1,293,722	8,537,362	7,742,882	-	9,036,604	8,537,362
<b>General Revenues:</b>						
Property taxes	28,716,475	30,661,413	-	-	28,716,475	30,661,413
Income taxes	50,939,823	50,356,192	-	-	50,939,823	50,356,192
State shared taxes	38,116,803	39,379,693	-	-	38,116,803	39,379,693
Unrestricted investment earnings	2,115,509	2,325,007	1,574,371	2,190,115	3,689,880	4,515,122
Miscellaneous	341,141	4,421,297	703,740	5,639,524	1,044,881	10,060,821
Gain on sale of capital assets	270,198	-	-	289,557	270,198	289,557
<b>Total Revenues</b>	<b>173,912,662</b>	<b>183,042,962</b>	<b>98,365,215</b>	<b>92,575,652</b>	<b>272,277,877</b>	<b>275,618,614</b>
<b>Expenses:</b>						
General government	21,333,282	21,428,588	-	-	21,333,282	21,428,588
Public safety	78,550,437	81,271,096	-	-	78,550,437	81,271,096
Public works	37,049,923	34,634,556	-	-	37,049,923	34,634,556
Culture and Recreation	28,419,253	30,663,741	-	-	28,419,253	30,663,741
Urban & Community Development	17,214,538	19,293,049	-	-	17,214,538	19,293,049
Interest on long-term debt	5,772,221	6,324,449	-	-	5,772,221	6,324,449
Water Supply System	-	-	35,906,598	34,903,597	35,906,598	34,903,597
Sewage Disposal System	-	-	32,493,825	25,985,137	32,493,825	25,985,137
Auto Parking System	-	-	8,414,363	7,396,315	8,414,363	7,396,315
Other Enterprises	-	-	1,842,923	1,889,404	1,842,923	5,575,250
<b>Total Expenses</b>	<b>188,339,654</b>	<b>193,615,477</b>	<b>78,657,709</b>	<b>70,174,453</b>	<b>266,997,363</b>	<b>263,789,930</b>
<b>Change in Net Assets before Transfers</b>	<b>(14,426,992)</b>	<b>(10,572,515)</b>	<b>19,707,506</b>	<b>22,401,199</b>	<b>5,280,514</b>	<b>11,828,684</b>
<b>Transfers</b>	<b>1,965,577</b>	<b>1,027,381</b>	<b>(1,965,577)</b>	<b>(1,150,937)</b>	<b>-</b>	<b>(123,556)</b>
<b>Change in Net Assets</b>	<b>(12,461,415)</b>	<b>(9,545,134)</b>	<b>17,741,929</b>	<b>21,250,262</b>	<b>5,280,514</b>	<b>11,705,128</b>
<b>Net Assets restated - beginning</b>	<b>177,861,293</b>	<b>187,406,427</b>	<b>363,012,068</b>	<b>341,761,806</b>	<b>540,873,361</b>	<b>529,168,233</b>
<b>Net Assets - ending</b>	<b>\$ 165,399,878</b>	<b>\$ 177,861,293</b>	<b>\$ 380,753,997</b>	<b>\$ 363,012,068</b>	<b>\$ 546,153,875</b>	<b>\$ 540,873,361</b>



Governmental activities: Governmental activities decreased the City's net assets by \$12,461,415. Key elements of this decrease are as follows:

- The Capital Construction Funds used portions of reserved fund balances to continue or complete projects accounting for \$8.7 million.
- The Refuse fund planned expenditures on recycling of \$2.5 million without matching revenues and ended with a reduction in net assets of \$1.5 million.
- The Museum experienced higher expenditures than revenues with a reduction in net assets of \$950,000.

Business-type activities: Business-type activities increased the City's net assets by \$17,741,929. The key element of this increase is as follows:

- The Water Supply System requirements decreased 2% due to increased volume and connection fees.
- The Sewage Disposal System revenue requirements decreased 4% due to decreased claims and contractual services and increased connection fees.
- Parking revenues continued strong supported by the continued growth of downtown activities.

### **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds: The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2004, the City's governmental funds reported combined ending fund balances of \$65,948,564. Approximately 33 % of this total amount (\$31,619,538) constitutes the *unreserved fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed.

The amount of the unreserved governmental fund balance declined approximately 23% during fiscal 2004. The primary sources of that decline were the spending down of capital projects and the decline in the general fund unreserved balance due to shortfalls in projected revenues. The general fund is the chief operating fund of the City. At June 30, 2004, undesignated fund balance of the general fund was \$5,881,513. As a measure of the general fund's liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 5.2% of total general fund expenditures, down from 5.6% in 2003.

The City has established a budget stabilization fund to account for funds accumulated as described in Public Act No. 30 of 1978. Transfers from general fund to the budget stabilization fund are based upon the excess revenue over expenses in the general fund. Taken into consideration in determining the amount to transfer is the amount required to fulfill existing end-of-year contractual obligations and for amounts designated to be set aside for financing activities for the next fiscal year. Contractual obligations are reported as a reservation of fund balance for encumbrances. Designations for the ensuing year are reported as a designated portion of the unreserved fund balance.

The budget stabilization fund is reported as a non-major special revenue fund.

Proprietary funds: The City's proprietary funds provide the same type of information found in the government-wide financial statements.

Unrestricted net assets of the Water Supply System, Sewage Disposal System, Auto Parking System and other non-major enterprise funds at the end of the year amounted to \$93,420,800. The total growth in net assets for enterprise funds was \$17,665,992. The major factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

#### **General Fund Budgetary Highlights**

The major changes from the City's originally adopted budget and the final budget for 2004 are as follows:

- The city reduced its budgeted revenues for federal grants by \$1 million, state shared revenue by \$1.9 million, state grants by \$558,000 and increased the amount for charges for services by \$1.3 million. All were realized with an additional \$3.5 million in charges for services, leaving a surplus in actual over budgeted revenues of \$3.3 million.
- On the expenditures side, public safety budgets were decreased by \$2 million. A reduction of \$1.5 million was realized for public safety from the original budget. Urban and community development was also reduced by \$535,000, which was realized with an additional reduction of \$445,000.

#### **Economic Factors and Next Year's Budgets and Rates**

The General Operating Fund of the City is primarily reliant on City income tax collections and distributions of State shared taxes to support general City service delivery. In the year ended June 30, 2004, 65% of all general fund revenues were derived from these local and state tax levies, down from 69% in 2003. Both the State and local economies continue to suffer from economic weakness, which began in early calendar year 2001. During 2003 and 2004 the City has operated at non-sustainable levels, incurring General Operating Fund expenditures that exceeded revenues by \$11.4 million.

In preparing for the 2005 fiscal year (year beginning July 1, 2004) the City assumed a modest improvement in the economy and Flat State shared tax revenues. The City will continue to monitor the State budget and the revenue sharing appropriation contained therein, and monthly income tax collections to assure that any significant deviation from forecasted revenues or appropriations are promptly addressed.

The 2005 Adopted Budget incorporates a number of one-time solutions to address what has realistically been an ongoing structural problem. Long range forecasts indicate that the City faces an ongoing structural imbalance between the growth of the primary sources of funding and the expenditure pressures associated with operating in a labor-intensive industry. Without increases in revenues the City will be required to substantially reduce governmental services.

#### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Comptroller Department, 300 Monroe NW, Grand Rapids, MI 49503. Contact telephone number (616) 456-3189.

City of Grand Rapids, Michigan  
Statement of Net Assets  
Government Wide  
June 30, 2004

	Primary Government			Total Component Units
	Governmental Activities	Business-type Activities	Total Primary Government	
<b>ASSETS</b>				
Equity in pooled cash and investments (Note 2)	\$ 84,590,795	\$ 72,570,858	\$ 157,161,653	\$ 14,316,790
Investments held by trustee	558,587	70,148	628,735	5,614,271
Receivables, net	16,297,278	13,980,828	30,278,104	4,176,287
Internal balances	(75,937)	75,937	-	-
Due from other governmental units	7,412,850	-	7,412,850	-
Due from component unit	50,000	-	50,000	-
Inventories	2,165,575	3,175,817	5,341,392	-
Deferred expenses and other assets	-	575,124	575,124	-
Restricted assets (Notes 2 and 4)	-	30,828,817	30,828,817	-
Capital Assets (Note 5):				
Non-depreciable	29,023,318	26,042,156	55,065,474	13,487,276
Depreciable, net	186,284,312	500,862,957	686,947,269	55,882,903
Total assets	\$ 328,304,578	\$ 647,982,642	\$ 974,287,218	\$ 93,457,527
<b>LIABILITIES</b>				
Accounts payable and accrued expenses	\$ 20,778,980	\$ 8,004,550	\$ 28,783,530	\$ 2,017,133
Accrued interest payable	1,457,332	4,784,551	6,241,883	249,819
Due to component units	-	-	-	50,000
Due to other governmental units	2,245,281	-	2,245,281	-
Deferred revenues	775,891	64,832	840,723	-
Customer deposits	108,903	-	108,903	-
Current portion of claims payable	-	1,000,000	1,000,000	-
Payable from restricted assets (Note 6):	-	10,486,812	10,486,812	-
Bonds and contracts payable	-	5,470,807	5,470,807	-
Accrued interest and other	-	-	-	-
Noncurrent liabilities (Note 6):				
Due within 1 year:	17,042,063	947,697	17,989,760	2,405,671
Due in more than 1 year:	118,496,268	238,469,396	356,965,664	60,145,646
Total liabilities	160,904,698	257,228,645	428,133,343	64,888,269
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	94,804,385	279,644,764	374,449,129	20,145,097
Restricted for:				
Public Safety	1,603,772	-	1,603,772	-
Cultural and recreation	705,309	-	705,309	-
Debt service	-	7,612,496	7,612,496	-
Perpetual care	3,269,812	-	3,269,812	-
Authorized projects	6,027,514	-	6,027,514	11,799,770
Urban and community development	2,748,265	-	2,748,265	-
Unrestricted	56,240,841	93,496,737	149,737,578	(3,355,609)
Total net assets	165,399,878	380,753,997	546,153,875	28,589,258
Total liabilities and net assets	\$ 328,304,578	\$ 647,982,642	\$ 974,287,218	\$ 93,457,527

**City of Grand Rapids, Michigan**  
**Statement of Activities**  
**Government Wide**  
*for the year ended June 30, 2004*

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
		Charges for Services	Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
<i>Governmental activities:</i>								
General government	\$ 21,333,282	\$ 4,070,798	\$ 41,166	\$ -	\$ (17,221,320)	\$ -	\$ (17,221,320)	\$ -
Public safety	78,550,437	6,730,074	2,954,421	-	(68,865,942)	-	(68,865,942)	-
Public works	37,049,923	15,676,915	2,985,390	1,293,722	(17,093,896)	-	(17,093,896)	-
Culture and recreation	28,419,253	4,390,803	2,257,048	-	(21,771,402)	-	(21,771,402)	-
Urban & community development	17,214,538	5,641,525	7,370,853	-	(4,202,160)	-	(4,202,160)	-
Interest on long-term debt	5,772,221	-	-	-	(5,772,221)	-	(5,772,221)	-
Total governmental activities	188,339,654	36,510,113	15,608,878	1,293,722	(134,926,941)	-	(134,926,941)	-
<i>Business-type activities:</i>								
Water Supply System	35,906,598	37,160,730	348,589	5,990,957	-	7,593,678	7,593,678	-
Sewage Disposal System	32,493,925	32,691,392	7,164,841	1,500,925	-	8,863,333	8,863,333	-
Auto Parking System	8,414,363	9,408,911	-	251,000	-	1,245,548	1,245,548	-
Other Enterprise	1,842,923	1,569,759	-	-	-	(273,164)	(273,164)	-
Total business-type activities	78,657,709	80,830,792	7,513,430	7,742,882	-	17,429,395	17,429,395	-
Total primary government	\$ 266,997,363	\$ 117,340,905	\$ 23,122,308	\$ 9,036,604	(134,926,941)	17,429,395	(117,497,546)	-
<b>Component Units:</b>								
Tax Increment Financing Authority	\$ 14,201,099	\$ 253,015	\$ 468,294	\$ -	-	-	-	(13,479,790)
Downtown Development Authority	337,252	-	-	-	-	-	-	(337,252)
SmartZone Development Authority	3,958,037	-	155,000	-	-	-	-	(3,803,037)
Brownfield Redevelopment Authority	88,013	40,000	-	-	-	-	-	(48,013)
Total component units	\$ 18,584,401	\$ 293,015	\$ 623,294	\$ -	-	-	-	(17,668,092)
General revenues:								
Property taxes					28,716,475	-	28,716,475	8,181,189
City income taxes					50,939,823	-	50,939,823	-
State shared taxes					38,116,803	-	38,116,803	-
Unrestricted investment earnings					2,115,509	1,574,371	3,689,880	340,634
Miscellaneous					341,141	703,740	1,044,881	-
Gain on sale of capital assets					270,198	-	270,198	561,678
Transfers (Note 8)					1,965,577	(1,965,577)	-	-
Total general revenues and transfers					122,465,526	312,534	122,778,060	9,083,481
Change in net assets					(12,461,415)	17,741,929	5,280,514	(8,584,611)
Net assets - beginning, as restated (Note 11)					177,861,293	363,012,068	540,873,361	37,173,869
Net assets - ending					\$ 165,399,878	\$ 380,753,997	\$ 546,153,875	\$ 28,589,258

The accompanying notes are an integral part of the financial statements.

**City of Grand Rapids, Michigan**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2004**

**ASSETS**

	Major Governmental Funds										Nonmajor Governmental Funds	Total Governmental Funds
	General	Library	Museum	Refuse	Major Streets	Local Streets	Streets Capital Construction	General Capital Construction	Building Authority Construction			
Equity in pooled cash & investments (Note 2)	\$ 19,214,899	\$ 2,317,541	\$ -	\$ 2,388,129	\$ 2,114,810	\$ -	\$ 13,422,395	\$ 7,608,658	\$ 2,463,314	\$ 12,265,272	\$ -	\$ 61,795,015
Receivables, net	5,638,877	47,810	571,854	611,382	312,520	8,402	-	383,277	-	8,559,721	-	16,103,843
Due from other funds (Note 8)	1,514,471	-	-	-	168,722	-	-	-	-	-	-	1,683,193
Due from component units	50,000	-	-	-	-	-	-	-	-	-	-	50,000
Due from other governmental units	4,976,879	-	-	-	1,904,261	515,991	-	-	-	15,519	-	7,412,650
Inventories	-	-	-	-	-	-	-	-	-	20,912	-	20,912
<b>Total assets</b>	<b>\$ 31,365,126</b>	<b>\$ 2,365,351</b>	<b>\$ 571,854</b>	<b>\$ 2,999,511</b>	<b>\$ 4,500,313</b>	<b>\$ 524,393</b>	<b>\$ 13,422,395</b>	<b>\$ 7,991,935</b>	<b>\$ 2,463,314</b>	<b>\$ 20,861,424</b>	<b>\$ -</b>	<b>\$ 87,065,616</b>

**LIABILITIES AND FUND BALANCES (DEFICIT)**

<b>Liabilities:</b>												
Accounts payable and accruals	\$ 13,325,663	\$ 74,802	\$ 719,084	\$ 479,387	\$ 116,790	\$ 16,202	\$ 678,365	\$ 241,630	\$ 116,713	\$ 557,862	\$ -	\$ 16,326,398
Due to other funds (Note 8)	-	-	16,157	-	-	168,722	-	-	-	1,476,726	-	1,660,599
Due to other governmental units	2,157,904	83	65,306	-	12,721	9,247	-	-	-	-	-	2,245,261
Deferred revenues	448,486	125,000	-	-	4,697	6,274	-	191,434	-	-	-	775,891
Customer deposits	-	-	-	-	-	-	-	108,903	-	-	-	108,903
<b>Total liabilities</b>	<b>15,932,053</b>	<b>199,885</b>	<b>800,547</b>	<b>479,387</b>	<b>134,208</b>	<b>200,445</b>	<b>678,365</b>	<b>541,867</b>	<b>116,713</b>	<b>2,033,582</b>	<b>-</b>	<b>21,117,052</b>

**Fund balances (deficit):**

<b>Reserved for:</b>												
Perpetual care	-	-	-	-	-	-	-	-	-	3,269,812	-	3,269,812
Trust principal	-	111,418	-	-	-	-	-	-	-	25,000	-	136,418
Non-current portion of loans	-	-	-	-	-	-	-	-	-	6,027,514	-	6,027,514
Museum and Library purchases	-	216,668	260,645	-	-	-	-	-	-	-	-	477,311
Authorized projects	-	-	-	-	-	-	10,694,797	5,916,965	2,346,601	-	-	18,958,363
Inventories	-	-	-	-	-	-	-	-	-	20,912	-	20,912
Encumbrances	1,804,703	9,743	-	166,328	74,019	16,278	1,788,146	1,533,103	-	46,376	-	5,438,696
<b>Unreserved:</b>												
Designated for debt service	-	-	-	-	2,746,615	-	261,087	-	-	610,994	-	610,994
Designated for ensuing year budget	-	-	-	-	275,290	174,870	-	-	-	802,548	-	3,810,250
Designated for compensated absences	7,746,657	466,635	-	218,210	275,290	174,870	-	-	-	93,995	-	8,975,857
Undesignated	5,881,513	1,361,004	(489,398)	2,135,566	1,270,181	132,800	-	-	-	7,930,691	-	18,222,437
<b>Total fund balance (deficit)</b>	<b>15,433,073</b>	<b>2,165,466</b>	<b>(228,693)</b>	<b>2,520,124</b>	<b>4,366,105</b>	<b>323,948</b>	<b>12,744,030</b>	<b>7,450,068</b>	<b>2,346,601</b>	<b>18,627,842</b>	<b>-</b>	<b>65,948,564</b>
<b>Total liabilities and fund balances</b>	<b>\$ 31,365,126</b>	<b>\$ 2,365,351</b>	<b>\$ 571,854</b>	<b>\$ 2,999,511</b>	<b>\$ 4,500,313</b>	<b>\$ 524,393</b>	<b>\$ 13,422,395</b>	<b>\$ 7,991,935</b>	<b>\$ 2,463,314</b>	<b>\$ 20,861,424</b>	<b>\$ -</b>	<b>\$ 87,065,616</b>

**City of Grand Rapids, Michigan**  
**Reconciliation of Fund Balances of Governmental Funds to the**  
**Net Assets of Governmental Activities on the Statement of Net Assets**  
*June 30, 2004*

Total governmental funds, fund balances	\$ 65,948,564
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:	
Capital assets, at cost	315,888,405
Accumulated depreciation	<u>(100,580,775)</u>
Net capital assets	215,307,630
Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds. These assets consist of:	
Deferred issuance costs	1,353,386
Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	
	21,139,348
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and contracts payable	(121,448,947)
Premium on bonds	(333,166)
Compensated absences	(9,859,605)
Insurance claims	(5,250,000)
Accrued interest on bonds	<u>(1,457,332)</u>
Net assets of governmental activities	\$ <u>165,399,878</u>

**City of Grand Rapids, Michigan**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
*for the year ended June 30, 2004*

	Major Governmental Funds										Total
	General	Library	Museum	Refuse	Major Streets	Local Streets	Street Capital Construction	General Capital Construction	Building Authority Construction	Nonmajor Governmental Funds	Governmental Funds
Revenues:											
Property taxes	\$ 11,552,456	\$ 9,240,828	\$ -	\$ 4,940,763	\$ -	\$ -	\$ -	\$ 3,844,707	\$ -	\$ 465,342	\$ 29,843,895
City income taxes	49,921,028	-	-	-	-	-	-	1,018,797	-	-	50,939,823
State shared taxes	24,080,044	-	-	-	11,000,845	3,036,114	-	-	-	-	38,116,803
Licenses and permits	295,980	-	-	-	-	-	-	-	-	1,814,601	2,110,581
Fines and forfeitures	3,263,825	195,462	-	-	-	-	-	-	-	688,100	4,145,387
Federal grants	2,188,087	84,800	71,920	-	-	-	693,722	20,183	-	6,929,219	9,967,941
State grants	321,730	198,048	177,548	-	-	-	-	382,820	-	79,531	1,139,675
Other grants & contributions	273,031	436,530	-	-	-	-	800,000	285,900	-	447,533	2,047,994
Charges for services	19,737,438	184,954	1,560,417	4,315,091	2,200,385	19,905	39,157	-	66,028	2,748,177	30,826,504
Investment earnings	855,300	94,933	2,516	94,077	256,794	1,437	9,263	148,433	66,028	205,555	1,732,336
Miscellaneous	1,188,259	-	1,459,143	-	210,272	5,052	-	358,980	63,800	543,502	3,929,008
Total revenues	113,682,175	10,415,355	3,271,542	9,349,931	13,888,076	3,062,508	1,342,142	5,837,830	129,826	14,319,580	174,778,947
Expenditures											
Current:											18,816,815
General government	18,816,815	-	-	-	-	-	-	-	-	-	-
Public safety	75,871,691	-	-	-	-	-	-	-	-	575,839	76,447,530
Public works	4,593,471	-	-	10,417,318	7,641,336	4,779,805	-	-	-	2,324,547	29,756,575
Culture and recreation	8,716,715	7,758,678	6,206,421	-	-	-	-	-	-	35,849	22,715,663
Urban and community development	5,787,614	-	-	-	-	-	-	-	-	11,435,260	17,222,874
Debt service:											4,475,945
Principal	544,368	-	-	-	183,699	-	-	704,475	-	3,083,415	-
Interest, fees, and bond issue costs	104,672	-	-	-	68,718	-	-	601,574	-	4,549,379	5,324,341
Capital outlay	-	1,143,943	-	231,204	-	-	8,092,340	4,448,209	3,420,125	-	17,333,821
Total expenditures	114,035,334	8,900,821	8,206,421	10,648,520	7,873,751	4,779,905	8,092,340	5,752,258	3,420,125	21,964,089	181,883,564
Excess (deficit) of revenues over expenditures	(353,159)	1,514,534	(2,634,879)	(1,298,589)	5,794,325	(1,717,397)	(6,750,198)	85,572	(3,290,297)	(7,964,529)	(16,914,617)
Other financing sources (uses):											
Transfers in (Note 8)	4,470,975	80,424	2,034,370	-	-	1,500,000	4,223,394	-	1,627,624	10,194,302	24,131,089
Transfers out (Note 8)	(8,272,995)	(1,711,772)	(49,716)	(243,497)	(5,010,893)	(139,977)	-	(3,798,573)	(2,329,540)	(2,026,783)	(23,563,746)
Face value of bonds and contracts issued	-	-	-	-	-	-	-	1,348,640	-	-	1,348,640
Total other financing sources (uses)	(3,802,020)	(1,631,348)	1,984,654	(243,497)	(5,010,893)	1,360,023	4,223,394	(2,449,933)	(701,915)	8,167,519	1,895,983
Net change in fund balances	(4,155,179)	(118,814)	(950,225)	(1,542,086)	783,432	(357,374)	(2,526,804)	(2,364,361)	(3,992,213)	202,990	(15,018,634)
Fund balances, beginning	19,586,252	2,282,280	721,532	4,062,210	3,582,873	681,322	15,270,834	9,814,429	6,338,814	18,624,852	80,967,198
Fund balances (deficit), ending	\$ 15,433,073	\$ 2,165,466	\$ (228,693)	\$ 2,520,124	\$ 4,366,305	\$ 323,948	\$ 12,744,030	\$ 7,450,068	\$ 2,346,601	\$ 18,827,842	\$ 65,948,564

**City of Grand Rapids, Michigan**  
**Reconciliation of the Statement of Revenues, Expenditures and**  
**Changes in Fund Balances of Governmental Funds to the Statement of Activities**  
*for the year ended June 30, 2004*

	<u>Amount</u>
Net change in fund balances - total governmental funds	\$ (15,018,634)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$9,835,822) exceeded capital outlays (\$8,894,630).	(941,192)
In the statement of activities only the gain on the sale of property and equipment is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net assets differs from the change in fund balance by the cost of the land sold.	(5,520)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,127,420)
Deferred revenue	
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	(5,656,710)
Debt issued	(14,188)
Premium on bonds issued	8,654,910
Repayments	
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(32,256)
Accrued interest	612,975
Compensated absences	(99,226)
Other	
Internal service funds are used by management to charge the costs of certain activities to individual funds. The governmental share of the net expense of the internal service fund is reported in governmental activities.	<u>1,165,846</u>
Change in net assets of governmental activities	<u>\$ (12,461,415)</u>

The accompanying notes are an integral part of the financial statements.



City of Grand Rapids, Michigan  
Statement of Net Assets  
Proprietary Funds  
June 30, 2004

	Major Funds			Nonmajor Proprietary Funds	Totals	Total Internal Service Funds
	Water Supply System	Sewage Disposal System	Auto Parking System			
<b>ASSETS</b>						
Current assets:						
Equity in pooled cash and investments (Note 2)	\$ 32,925,379	\$ 27,340,799	\$ 11,448,317	\$ 858,363	\$ 72,570,858	\$ 22,795,777
Funds held by trustee	-	-	70,148	-	70,148	558,587
Receivables, net	8,538,208	7,049,328	331,427	61,865	13,980,828	615,403
Inventory	1,860,186	1,315,631	-	-	3,175,817	2,144,664
Deferred expenses and other assets	-	-	337,481	-	337,481	41,663
Total current assets	41,323,773	35,705,758	12,187,373	918,228	90,135,132	28,154,094
Noncurrent assets:						
Restricted assets (Note 4)	6,518,735	24,310,082	-	-	30,828,817	-
Other assets	-	-	-	237,642	237,642	-
Capital assets: (Note 5)						
Non-depreciable	5,825,652	15,796,191	4,415,059	5,255	26,042,157	198,607
Depreciable	337,431,888	383,034,354	43,736,103	4,988,082	769,191,427	43,094,494
Less accumulated depreciation	(104,481,416)	(145,961,732)	(15,870,538)	(2,214,784)	(268,528,470)	(28,261,058)
Total noncurrent assets	245,294,859	277,178,895	32,280,624	3,017,195	557,771,573	15,030,043
Total assets	\$ 286,618,632	\$ 312,884,653	\$ 44,467,997	\$ 3,935,423	\$ 647,906,705	\$ 41,184,137

City of Grand Rapids, Michigan  
Statement of Net Assets  
Proprietary Funds  
June 30, 2004

	Major Funds			Nonmajor Proprietary Funds	Totals	Total Internal Service Funds
	Water Supply System	Sewage Disposal System	Auto Parking System			
<b>LIABILITIES</b>						
Current liabilities:						
Vouchers and accounts payable	\$ 1,625,072	\$ 1,722,073	\$ 421,491	\$ 85,315	\$ 3,853,951	\$ 1,394,042
Accrued interest payable	2,289,024	2,278,772	212,891	3,864	4,784,551	27,662
Deferred revenues	-	64,832	-	-	64,832	-
Current portion of claims payable	200,000	800,000	-	-	1,000,000	6,758,538
Current maturities of bonds, notes and contracts payable (Note 6)	-	45,500	821,897	80,500	947,897	2,191,216
Current portion of compensated absences and workers' compensation	1,191,485	742,023	174,264	42,827	2,150,599	729,923
Total current liabilities	5,305,581	5,653,200	1,630,343	212,506	12,801,630	11,101,381
Liabilities payable from restricted assets (Note 6):						
Current maturities of bonds, notes and contracts payable	5,505,000	4,981,812	-	-	10,486,812	-
Other	572,081	4,898,726	-	-	5,470,807	-
	6,077,081	9,880,538	-	-	15,957,619	-
Noncurrent liabilities (net of current portion) (Note 6):						
Bonds payable	106,458,647	109,867,329	18,121,806	-	234,467,782	22,009
Contracts and notes payable	-	999,000	-	1,170,500	2,169,500	6,215,895
Bond premium	1,421,497	410,617	-	-	1,832,114	-
Total noncurrent liabilities	107,880,144	111,296,946	18,121,806	1,170,500	238,469,396	7,622,104
Total liabilities	119,262,806	126,830,684	19,752,149	1,383,006	267,228,645	18,723,485
<b>NET ASSETS</b>						
Invested in capital assets net of related debt	126,441,937	137,999,672	13,674,602	1,528,553	279,644,764	-
Restricted:						
Debt service	5,160,980	2,451,516	-	-	7,612,496	-
Unrestricted	35,752,909	45,602,781	11,041,246	1,023,864	93,420,800	22,460,652
Total net assets	167,355,826	186,053,969	24,715,848	2,552,417	380,678,060	22,460,652
Total liabilities and net assets	\$ 286,618,632	\$ 312,884,653	\$ 44,467,997	\$ 3,935,423		\$ 41,184,137
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					75,937	
Net assets of business-type activities					\$ 380,753,997	

The accompanying notes are an integral part of the financial statements.

**City of Grand Rapids, Michigan**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Funds**  
*for the year ended June 30, 2004*

	Major Funds			Nonmajor		Total
	Water Supply System	Sewage Disposal System	Auto Parking System	Proprietary Funds	Totals	Internal Service Funds
Operating revenues:						
Charges for services	\$ 2,320,251	\$ 32,605,421	\$ 9,408,911	\$ 1,291,336	\$ 45,625,919	\$ 49,988,915
Sales	34,312,691	-	-	278,423	34,591,114	-
Miscellaneous	527,788	85,971	-	-	613,759	801,408
Total operating revenues	37,160,730	32,691,392	9,408,911	1,569,759	80,830,792	50,790,323
Operating expenses:						
Personal services	12,877,547	6,966,568	3,195,806	919,296	23,959,217	5,046,647
Supplies and materials	1,758,887	1,629,563	216,733	162,653	3,767,836	5,646,780
Utilities	2,685,807	1,745,102	363,397	121,320	4,915,626	1,651,803
Contractual services	916,953	4,494,580	1,090,471	195,924	6,697,928	4,890,774
Other services and charges	4,621,491	2,102,215	1,427,734	180,656	8,332,096	29,423,612
Depreciation	6,224,578	7,704,305	1,357,128	217,223	15,503,235	4,673,718
Total operating expenses	29,085,263	24,642,333	7,651,270	1,797,072	63,175,938	51,333,334
Operating income (loss)	8,075,467	8,049,059	1,757,641	(227,313)	17,654,854	(543,011)
Nonoperating revenues (expenses):						
Federal grants	-	7,149,912	-	-	7,149,912	-
State grants	348,589	14,929	-	-	363,518	-
Interest revenue	635,266	617,344	315,523	6,238	1,574,371	358,691
Miscellaneous revenue	306,760	289,391	107,589	-	703,740	-
Payment to Convention Arena Authority	-	(3,528,884)	-	-	(3,528,884)	-
Gain on sale of capital assets	-	-	-	-	-	182,235
Interest expense and paying agent fees	(6,856,295)	(4,352,228)	(772,290)	(48,011)	(12,028,824)	(370,616)
Total nonoperating revenues (expenses)	(5,565,680)	190,464	(349,178)	(41,773)	(5,766,167)	170,310
Income (loss) before capital contributions and transfers	2,509,787	8,239,523	1,408,463	(269,086)	11,888,687	(372,701)
Capital contributions	5,990,957	1,500,925	251,000	-	7,742,882	121,144
Transfers in (Note 8)	1,930,765	-	-	588,696	2,519,461	2,574,713
Transfers out (Note 8)	(1,140,301)	(2,760,518)	(410,248)	(173,971)	(4,485,038)	(1,156,479)
Change in net assets	8,291,208	6,979,930	1,249,215	145,639	17,665,992	1,166,677
Total net assets - beginning	158,064,618	179,074,039	23,466,633	2,406,778		21,293,975
Total net assets - ending	\$ 167,355,826	\$ 186,053,969	\$ 24,715,848	\$ 2,552,417		\$ 22,460,652
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.					75,937	
Change in net assets of business-type activities					\$ 17,741,929	

**City of Grand Rapids, Michigan**  
**Statement of Cash Flows**  
**Proprietary Funds**  
*for the year ended June 30, 2004*

	<b>Business-Type Activities - Enterprise Funds</b>					
	<b>Major Funds</b>			<b>Nonmajor</b>		<b>Total</b>
	<b>Water</b>	<b>Sewage</b>	<b>Auto</b>	<b>Enterprise</b>		<b>Total</b>
	<b>Supply System</b>	<b>Disposal System</b>	<b>Parking System</b>	<b>Funds</b>	<b>Totals</b>	<b>Internal Service Funds</b>
Cash flows from operating activities:						
Receipts from customers	\$ 38,542,101	\$ 32,808,710	\$ 9,554,244	\$ 1,662,772	\$ 82,567,827	\$ 49,655,391
Payments to suppliers	(8,611,816)	(8,517,265)	(3,314,801)	(712,338)	(21,156,220)	(43,905,210)
Payments to employees	(8,655,782)	(4,628,232)	(2,326,350)	(703,832)	(16,314,196)	(3,474,514)
Payments for payroll taxes and benefits	(4,127,645)	(2,246,497)	(851,092)	(213,183)	(7,438,417)	(1,627,121)
Other operating revenues	306,760	375,363	107,589	-	789,712	867,148
Net cash provided by operating activities	17,453,618	17,792,079	3,169,590	33,419	38,448,706	1,515,693
Cash flows from noncapital financing activities:						
Proceeds from grants	346,589	3,635,957	-	-	3,984,546	-
Transfers from other funds	1,930,765	-	-	588,696	2,519,461	2,574,713
Transfers to other funds	(1,140,301)	(2,760,518)	(410,248)	(173,971)	(4,485,038)	(1,156,479)
Net cash provided (used) by noncapital financing activities	1,139,053	875,439	(410,248)	414,725	2,018,969	1,418,234
Cash flows from capital and related financing activities:						
Proceeds from capital debt	-	-	-	-	-	2,033,369
Capital contributions	4,401,260	4,316,382	251,000	-	8,968,642	121,144
Purchase of fixed assets	(15,232,597)	(15,081,843)	(2,187,110)	-	(32,501,550)	(2,957,208)
Sale of fixed assets	-	-	-	-	-	370,727
Principal paid on capital debt	(4,880,724)	(4,719,866)	(1,395,980)	(80,250)	(11,076,820)	(2,037,273)
Interest paid on capital debt	(4,567,272)	(2,073,455)	(764,859)	(48,145)	(7,453,731)	(405,431)
Net cash provided (used) by capital and related financing activities	(20,279,333)	(17,558,782)	(4,096,949)	(128,395)	(42,063,459)	(2,874,672)
Cash flows from investing activities:						
Interest received	635,266	617,344	315,523	6,069	1,574,202	265,534
Net increase (decrease) in equity in pooled cash and investments	(1,051,396)	1,726,080	(1,022,084)	325,818	(21,582)	324,790
Equity in pooled cash and investments, beginning of year (including \$3,767,424 and \$24,472,352 for the Water and Sewage Systems, respectively, reported in restricted accounts)	33,976,775	46,633,040	12,470,401	530,545	93,610,761	23,027,574
Equity in pooled cash and investments, end of year (including \$21,018,321 for the Sewage System, reported in restricted accounts)	\$ 32,925,379	\$ 48,359,120	\$ 11,448,317	\$ 856,363	\$ 93,589,179	\$ 23,352,364

The accompanying notes are an integral part of the financial statements.

**City of Grand Rapids, Michigan**  
**Statement of Cash Flows**  
**Proprietary Funds**  
*for the year ended June 30, 2004*

	Business-Type Activities - Enterprise Funds					
	Major Funds			Nonmajor	Totals	Total
	Water Supply System	Sewage Disposal System	Auto Parking System	Enterprise Funds		Internal Service Funds
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>						
Operating income (loss)	\$ 8,075,467	\$ 8,049,059	\$ 1,757,641	\$ (227,313)	\$ 17,854,854	\$ (543,011)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	6,224,578	7,704,305	1,357,129	217,223	15,503,235	4,673,718
Miscellaneous cash received	306,760	269,391	107,589	-	703,740	-
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	2,512,323	138,177	(209,455)	87,387	2,528,432	(288,266)
Decrease in intergovernmental receivables	-	35,128	-	-	35,128	-
(Increase) decrease in inventory	(79,995)	29,984	-	-	(50,011)	241,835
Decrease (increase) in deferred expenses	(1,050,957)	-	354,789	-	(696,168)	478
Increase in other assets	-	-	-	5,627	5,627	-
Increase (decrease) in payables and accrued expenses	1,371,322	1,389,363	(216,467)	(51,786)	2,492,432	220,458
Decrease in due to other funds	-	-	-	-	-	(4,533)
(Decrease) in deferred revenues	-	64,832	-	-	64,832	-
Increase in general claims payable	-	-	-	-	-	(2,750,363)
Increase (decrease) in compensated absences	94,120	91,840	18,364	2,281	206,605	(54,622)
Total adjustments	9,378,151	9,743,020	1,411,949	260,732	20,793,852	2,058,704
Net cash provided by operating activities	\$ 17,453,618	\$ 17,792,079	\$ 3,169,590	\$ 33,419	\$ 38,448,706	\$ 1,515,693

*The accompanying notes are an integral part of the financial statements.*

**City of Grand Rapids, Michigan**  
**Statement of Fiduciary Net Assets**  
**Fiduciary Funds**  
*June 30, 2004*

		Private Purpose Trust	
	Pension Trust Funds	Urban Cooperation Board	Agency Tax Fund
<b>ASSETS</b>			
Equity in pooled cash and investments (Note 2)	\$ -	\$ 276,236	\$ 147,338
Investments held by trustee (Note 2):			
Cash and money market funds	18,896,858	-	-
United States Government Securities	119,368,590	-	-
State and municipal bonds	6,962,922	-	-
Corporate bonds	55,998,603	-	-
Common stocks and equity mutual funds	367,152,531	-	-
Other	17,874,455	-	-
Receivables, net:			
Property taxes	-	-	3,219,376
Other accounts	825,193	-	-
Accrued interest	1,957,424	355	-
Total assets	<u>\$ 609,036,576</u>	<u>\$ 276,591</u>	<u>\$ 3,366,714</u>
<b>LIABILITIES</b>			
Compensated absences	\$ 15,829	\$ -	\$ -
Vouchers and accounts payable	402,408	8,832	15,104
Due to other funds (Note 8)	11,297	-	-
Due to other governmental units	-	-	3,351,610
Total liabilities	<u>429,534</u>	<u>8,832</u>	<u>3,366,714</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes	608,607,042	267,759	-
Total net assets	<u>608,607,042</u>	<u>267,759</u>	<u>-</u>
Total liabilities and net assets	<u>\$ 609,036,576</u>	<u>\$ 276,591</u>	<u>\$ 3,366,714</u>

**City of Grand Rapids, Michigan**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
*for the year ended June 30, 2004*

	<u>Total Pension Trust Funds</u>	<u>Private Purpose Trust Urban Cooperation Board</u>
<b>ADDITIONS</b>		
Plan Contributions:		
Employer	\$ 6,442,463	\$ -
Plan members	3,787,727	-
Member agency contributions	-	291,893
Investment earnings:		
Interest and dividends	8,737,610	4,649
Net appreciation in fair value of investments	<u>72,797,178</u>	<u>-</u>
Total investment earnings	81,534,788	4,649
Less investment management expense	<u>1,446,104</u>	<u>-</u>
Net investment earnings	<u>80,088,684</u>	<u>4,649</u>
Total additions	<u>90,318,874</u>	<u>296,542</u>
<b>DEDUCTIONS</b>		
Benefits paid	22,509,062	-
Grants and Awards	-	431,872
Administration expenses	<u>739,338</u>	<u>-</u>
Total deductions	<u>23,248,400</u>	<u>431,872</u>
Change in net assets	67,070,474	(135,330)
Total net assets - beginning	<u>541,536,568</u>	<u>403,089</u>
Total net assets - ending	<u>\$ 608,607,042</u>	<u>\$ 267,759</u>

*The accompanying notes are an integral part of the financial statements.*

**City of Grand Rapids, Michigan**  
**Combining Statement of Net Assets**  
**Component Units**  
*June 30, 2004*

	<b>Downtown Development Authority</b>	<b>Tax Increment Financing Authority</b>	<b>SmartZone Development Authority</b>	<b>Brownfield Redevelopment Authority</b>	<b>Totals</b>
<b>ASSETS</b>					
Equity in pooled cash and investments (Note 2)	\$ 12,940,572	\$ 765,414	\$ 400,974	\$ 209,830	\$ 14,316,790
Investments held by trustee (Note 2)	5,397,427	-	216,844	-	5,614,271
Receivables, net:					
Special assessments	8,453	-	-	-	8,453
Contracts	4,057,849	-	-	-	4,057,849
Loans	-	-	1,170	-	1,170
Accrued interest	108,521	-	294	-	108,815
Capital Assets (Note 5):					
Non-depreciable	12,187,276	1,280,000	-	-	13,467,276
Depreciable	73,265,557	3,510,996	-	-	76,776,553
Less: accumulated depreciation	(19,990,112)	(903,538)	-	-	(20,893,650)
<b>Total assets</b>	<b>\$ 87,975,543</b>	<b>\$ 4,652,872</b>	<b>\$ 619,282</b>	<b>\$ 209,830</b>	<b>\$ 93,457,527</b>
<b>LIABILITIES</b>					
Vouchers payable and accruals	\$ 1,698,996	\$ 76,437	\$ 73,826	\$ 106,289	\$ 1,955,548
Accrued Interest	223,000	10,372	16,447	-	249,819
Due to primary government	-	-	-	50,000	50,000
Due to project participants	-	-	-	61,585	61,585
Non-current liabilities (Note 6):					
Due in less than 1 year	2,351,071	54,600	-	-	2,405,671
Due in more than 1 year	55,070,272	1,198,800	3,876,574	-	60,145,646
<b>Total liabilities</b>	<b>59,343,339</b>	<b>1,340,209</b>	<b>3,966,847</b>	<b>217,874</b>	<b>64,868,269</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	17,511,039	2,634,058	-	-	20,145,097
Restricted for authorized projects	11,121,165	678,605	-	-	11,799,770
Unrestricted	-	-	(3,347,565)	(8,044)	(3,355,609)
<b>Total net assets (deficit)</b>	<b>28,632,204</b>	<b>3,312,663</b>	<b>(3,347,565)</b>	<b>(8,044)</b>	<b>28,589,258</b>
<b>Total liabilities and net assets</b>	<b>\$ 87,975,543</b>	<b>\$ 4,652,872</b>	<b>\$ 619,282</b>	<b>\$ 209,830</b>	<b>\$ 93,457,527</b>

*The accompanying notes are an integral part of the financial statements.*



**City of Grand Rapids, Michigan**  
**Combining Statement of Activities**  
**Component Units**  
*for the year ended June 30, 2004*

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets				Total
	Expenses	Charges for Services	Operating Grants and Contributions	Downtown Development Authority	Tax Increment Financing Authority	SmartZone Development Authority	Brownfield Redevelopment Authority	
Urban & community development:								
Downtown Development Authority	\$ 10,088,878	\$ 253,015	\$ 488,294	\$ (9,377,569)	\$ -	\$ -	\$ -	\$ (9,377,569)
Tax Increment Financing Authority	274,044	-	-	-	(274,044)	-	-	(274,044)
SmartZone Development Authority	3,958,037	-	155,000	-	-	(3,803,037)	-	(3,803,037)
Brownfield Redevelopment Authority	88,013	40,000	-	-	-	-	(48,013)	(48,013)
Interest on long-term debt:								
Downtown Development Authority	4,102,221	-	-	(4,102,221)	-	-	-	(4,102,221)
Tax Increment Financing Authority	83,208	-	-	-	(63,208)	-	-	(63,208)
	<u>\$ 18,584,401</u>	<u>\$ 293,015</u>	<u>\$ 623,294</u>	<u>(13,479,790)</u>	<u>(337,252)</u>	<u>(3,803,037)</u>	<u>(48,013)</u>	<u>(17,668,092)</u>
General revenues:								
Investment earnings				322,548	10,872	5,903	1,311	340,634
Property taxes				7,582,731	262,850	267,161	68,427	8,181,169
Gain on sale of capital assets				561,678	-	-	-	561,678
Total general revenues				<u>8,466,957</u>	<u>273,722</u>	<u>273,064</u>	<u>69,738</u>	<u>9,083,481</u>
Change in net assets				<u>(5,012,833)</u>	<u>(63,530)</u>	<u>(3,529,973)</u>	<u>21,725</u>	<u>(8,584,611)</u>
Net assets (deficit) - beginning (restated, Note 11)				<u>33,645,037</u>	<u>3,378,193</u>	<u>182,408</u>	<u>(29,769)</u>	<u>37,173,869</u>
Net assets (deficit) - ending				<u>\$ 28,632,204</u>	<u>\$ 3,312,663</u>	<u>\$ (3,347,565)</u>	<u>\$ (8,044)</u>	<u>\$ 28,589,258</u>

The accompanying notes are an integral part of the financial statements

## 1. Summary of Significant Accounting Policies

### THE REPORTING ENTITY

The City of Grand Rapids, Michigan (the "City") was incorporated as a village in 1838. It was incorporated as a city under a mayor-council form of government in 1850 and remained under that form of government until 1916 when the commission-manager system of government was adopted. The City provides the following services: public safety, public works, streets, recreation and culture, urban development and general administrative services.

In accordance with generally accepted accounting principles, these financial statements present the City (the primary government) and its component units. The component units discussed below are included in the City's reporting entity because of the significance of their operations or financial relationship with the City.

**Blended Component Units**—Blended component units of the City have been included in the various fund types as follows:

The Grand Rapids Building Authority ("GRBA") was created by the City of Grand Rapids under the provisions of Act 31, Public Acts of 1948 of the State of Michigan (First Extra Session), as amended, and is governed by a three member board appointed by the City Commission. Although it is legally separate from the City, the GRBA is reported as if it were part of the primary government because its sole purpose is to finance and construct facilities for any legitimate public purpose of the City. The City has included in its financial statements the capital projects funds for projects in process during the fiscal year as well as debt service funds used for the accumulation of resources to repay the related debt on current projects and those previously financed. Likewise, the City has incorporated the bond issues and the related capital assets in governmental activities for Government-wide presentation. For completed proprietary project facilities, the City has included the capital assets and related debt within the specific proprietary funds and reported them in the business activities column of the Government-wide presentation.

The City of Grand Rapids General Retirement System ("General Retirement System") was established by City Ordinance which provides that general administration and responsibility for the operation of the General Retirement System is vested in a seven member Board of Trustees, the majority of whom are appointed by the City Commission (three of the seven members are common among the General and Police and Fire Retirement Systems). The General Retirement System covers all eligible employees of the City of Grand Rapids, except for police officers and firefighters, under a defined benefit pension plan. Funding for the General Retirement System is primarily provided by the City. Additional details of the General Retirement System are included in Note 7.

The City of Grand Rapids Police and Fire Retirement System ("Police and Fire Retirement System") was established by City Ordinance which provides that the general administration and responsibility for the operation of the Police and Fire Retirement System is vested in a seven member Board of Trustees, the majority of whom are appointed by the City Commission (three of the seven members are common among the General and Police and Fire Retirement Systems). The Police and Fire Retirement System covers all the eligible police and fire personnel of the City of Grand Rapids under a defined benefit pension plan. Funding for the Police and Fire Retirement System is primarily provided by the City. The fiscal year-end of this system changed to December 31<sup>st</sup> during the current fiscal year. The Statement of Changes in Net Assets for the Police and Fire System presents only six months of activity. Additional details of the Police and Fire Retirement System are included in Note 7.

**Discretely Presented Component Units**—The component unit column in the combined financial statements includes the financial data of the City's other component units. They are reported in a separate column to emphasize that they are legally separate from the City. The City has the ability to impose its will as it must annually approve their budgets and their development and tax increment financing plans.

**1. Summary of Significant Accounting Policies, continued:**

The Grand Rapids Downtown Development Authority ("DDA") was created under the provisions of Act 197, Public Acts of 1975 of the State of Michigan, to correct and prevent deterioration, encourage historic preservation and promote economic growth of business districts in the City. The DDA is under the supervision and control of a nine member Board consisting of the Mayor and eight members appointed by the Mayor and confirmed by the City Commission. Tax increment financing is the DDA's primary source of revenue.

The Grand Rapids Tax Increment Financing Authority ("TIFA") was created in 1985 under the provisions of Act 450, Public Acts of 1980 of the State of Michigan, to provide for the development of the Monroe North Development Area through tax increment revenues. The TIFA is under the supervision and control of an eleven member Board appointed by the Mayor and confirmed by the City Commission.

The City of Grand Rapids SmartZone Local Development Authority ("SmartZone") was created on October 16, 2001 under the provisions of the Local Development Financing Act, Act 281 of the Public Acts of 1986 of the State of Michigan, as amended by Act 248 of the Public Acts of 2000 of the State of Michigan, to promote economic development within an area, or areas, of specified boundaries. The SmartZone is under the supervision and control of an eleven member Board. Seven members are appointed by the Mayor, one by the Kent County Commission, one by the President of Grand Rapids Community College, and two by the Superintendent of the Grand Rapids Public Schools.

The City of Grand Rapids Brownfield Redevelopment Authority ("Brownfield") was created under the provisions of Act 381, Public Acts of 1996 of the State of Michigan. The purpose of the Authority is to promote the revitalization of environmentally distressed areas within the boundaries of the City.

**Joint Ventures**—The joint ventures of the City have not been included in the City's financial statements. They are:

The City of Grand Rapids and County of Kent Joint Building Authority ("JBA") was created by the City and the County of Kent, Michigan (the "County") under the provisions of Act 31, Public Acts of 1948 of the State of Michigan (First Extra Session), as amended. The JBA is governed by a three member Board of Commissioners of which one member is appointed by the City Commission, one member is appointed by the County Commission and one member is appointed by joint action of the City Commission and the County Commission. Because it is legally separate from the City, the JBA is not reported as part of the primary government. Summary financial information is as follows:

	<u>At June 30, 2004</u>		<u>Year ended June 30, 2004</u>
Total Assets	\$ 219,445,790	Revenues	\$ 3,342,308
Total Liabilities	107,247,828	Capital Contributions	38,282,632
Total Net Assets	112,197,962	Expenses	(5,040,448)
Total Liabilities and Net Assets	\$ 219,445,790	Change in Net Assets	\$ 36,584,492

# **1. Summary of Significant Accounting Policies, continued:**

The Grand Rapids—Kent County Convention / Arena Authority ("C/AA") was created when the City entered into an agreement with the County of Kent to establish an authority pursuant to the Convention Facility Authority Act. The C/AA is a separate legal entity established for the purpose of acquiring, constructing and operating convention facilities. The operating agreement provides that any facility operating deficits will be covered first by the net income of other C/AA facilities, second by an operating reserve fund and third by certain lodging excise tax revenues. The City and the County will share any remaining deficit equally. Summary financial information is as follows:

	<u>At June 30, 2003</u>		<u>Year ended June 30, 2003</u>
Total Assets	\$ 51,640,783	Revenues	\$ 15,595,066
Total Liabilities	12,177,408	Expenses	(6,229,790)
Total Net Assets	39,463,375	Change in Net Assets	\$ 9,365,276
Total Liabilities and Net Assets	\$ 51,640,783		

Grand Valley Regional Biosolids Authority was created when the City entered into an agreement with the City of Wyoming for a Joint Regional Biosolids Management Project. Articles of incorporation were adopted April 2004.

## **REPORT COPIES**

Individual audited financial reports of the component units and joint ventures of the City can be obtained from the City Comptroller's Office at City Hall, except Pension Fund reports—which can be obtained from the City's Pension Office. Selected reports are also available on the City's web site at [www.ci.grand-rapids.mi.us](http://www.ci.grand-rapids.mi.us).

City of Grand Rapids  
Comptroller's Office  
300 Monroe Avenue NW  
Grand Rapids, Michigan 49503  
(616) 456-3189

City of Grand Rapids  
Pension Office  
233 East Fulton Avenue, Suite 216  
Grand Rapids, Michigan 49503  
(616) 456-4300

## **BASIC FINANCIAL STATEMENTS**

The basic financial statements include both Government-wide financial statements (based on the City as a whole) and Fund statements (based on individual funds). Both the Government-wide and Fund financial statements categorize primary activities as either governmental or business-type.

### *Government-wide financial statements:*

The statement of net assets and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. On the statement of net assets, net assets are reported in three categories as follows:

**1. Summary of Significant Accounting Policies, continued:**

1. *Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other related debt attributed to the acquisition, construction, or improvements of those assets.
2. *Restricted net assets* result when constraints placed on the use of assets are either externally imposed by creditors, grantors, or contributors or imposed by law through constitutional provisions or enabling legislation.
3. *Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories and thus are generally available for use in operations. Unrestricted net assets are sometimes segregated and designated to indicate that management does not consider them to be available for general operations. Such designations can be increased, decreased or eliminated at management's discretion.

The Government Wide Statement of Activities reflects both the gross and net costs per functional category (General Governmental, Public Safety, Public Works, Culture and Recreation, and Urban and Community Development), which are otherwise being supported by general government revenues (property, income tax and certain intergovernmental revenues). The Statement of Activities analyzes gross expenses (including depreciation) by program revenues, operating and capital grants by functional area. Revenues reported as program revenues must be directly associated with a function or they are reported as a general revenue. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The net expense for each function or activity is normally covered by the City's general revenues.

This government-wide focus is centered on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

*Funds financial statements:*

The Funds financial statements are, in substance, similar to the financial statements presented in the previous financial reporting model. Emphasis in the Funds financial statements is on the major funds in either the governmental or business-type categories. Non-major funds are summarized into a single column by category.

Since the Governmental Fund statements are presented on a different measurement focus and basis of accounting than the Government-wide statements, a reconciliation is presented on the page following each statement, which briefly explains the adjustments necessary to transform the Fund-based financial statements to the governmental column of the Government-wide presentation.

## 1. Summary of Significant Accounting Policies, continued:

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's ongoing operations. The principal operating revenues of the City's Enterprise and Internal Service Funds are charges to customers for sales and services. The City also recognizes as operating revenue fees intended for the costs of connecting new customers to the system. Operating expenses for Enterprise and Internal Service Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Internal Service Funds of the City government (which provide services primarily to the various funds of the government) are presented, in summary form, as part of the Proprietary Fund financial statements. Since the principal user of the internal services are the City's governmental activities these services are allocated and included in the governmental column when presented at the Government-wide level. The costs of these services are allocated to the appropriate functional activity.

When appropriate, surplus or deficits in the Internal Service Funds are allocated back to various users within the Government Wide Statement of Activities.

The City's Fiduciary Funds are presented in the Fund financial statements by type. Since the assets in these funds are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated into the Government-wide statements.

In accordance with GASB Statement No. 34, the City has until July 1, 2006 to capitalize its infrastructure assets that were acquired or reconstructed prior to July 1, 2001. The City has collected information with respect to these infrastructure assets. A prior period adjustment of \$7,910,550 was made for the 1998 floodwalls, which includes TIFA. Capital assets additions during the current year were approximately \$48,110,000.

### **MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The Government-wide financial statements are reported using the economic measurement focus and the accrual basis of accounting, as are the Proprietary, Internal Services and Fiduciary Fund statements. Revenues are recognized when earned and expenditures are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within 90 days thereafter. Expenditures are recorded when the related fund liability is incurred, except for debt service and expenditures related to certain compensated absences; claims and judgements are recognized when the payment is due.

Property and income taxes, intergovernmental revenue and grants, state-shared taxes, interest earned and payments in lieu of taxes are susceptible to accrual because they are both measurable and available to finance expenditures of the current period.

Entitlements and shared revenues are recorded at the time of receipt or earlier if they meet the accrual criteria. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

## 1. Summary of Significant Accounting Policies, continued:

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for within a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

For its business-type activities and Proprietary Funds, the City has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board, the Accounting Principles Board or any Accounting Research Bulletins issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

The City of Grand Rapids reports the following major Governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in the other funds.

The Library Fund accounts for the operation, maintenance and capital improvements of the Public Library System. Financing is provided by a dedicated property tax levy, library revenues, contributions and trust assets willed to the City for the purpose of buying new books and other library operations.

The Museum Fund accounts for the operations and maintenance for the Public Museum of Grand Rapids. Financing is provided by user charges, grants, and contributions from the General Fund. Contributions are also received from private sources that are restricted to expenditures for the Public Museum as authorized by the Museum Board.

The Refuse Fund accounts for the collection and removal of trash and debris. Financing is provided by special tax millage, sale of refuse bags and tags, and rentals of trash collection units.

The Major and Local Streets Funds account for the maintenance and construction of all major streets, trunk lines and local streets. Financing is provided by special revenue from P.A. 51 State Shared Gas and Weight Taxes and charges for various services.

The Streets Capital Construction Fund accounts for the construction of capital projects to be used in governmental activities. Financing is provided by bonds, property taxes and contributions from private sources.

The General Capital Construction Fund accounts for the construction for capital projects to be used in governmental activities. Financing is provided by bonds, property taxes and contributions from private sources.

The Grand Rapids Building Authority Construction Fund accounts for the construction projects of the Grand Rapids Building Authority. Current projects include the new Police Headquarters, Community Archive and Research Center and Library Capital Improvements. Financing is provided by bonds and private contributions.

## 1. Summary of Significant Accounting Policies, continued:

The City of Grand Rapids reports the following major Proprietary funds:

The Water Supply System Fund accounts for the operation and maintenance, capital additions, improvements and retirement of revenue bonds of the water supply system. Financing is provided by user charges and contributions by other funds, municipalities and customers.

The Sewer Disposal System Fund accounts for the operation and maintenance, capital additions, improvements and retirement of bonds of the sewage disposal system. Financing is provided by user charges, federal grants and contributions from other funds, municipalities and customers.

The Auto Parking System Fund accounts for the operations and maintenance, capital additions, improvements and retirement of bonds of the auto parking system. The fund was established to provide parking facilities on and off the streets. Financing is provided by user charges.

Additionally, the City reports the following fund types:

The Internal Service Funds account for data processing, fleet management, facilities management, general purpose inventory items and insurance services provided to the City departments on a cost reimbursement basis.

The Pension Trust Funds account for the accumulation of resources to be used for retirement annuity payments in appropriate amounts and times in the future.

The Private Purpose Fund accounts for the money held in fiduciary capacity for the Urban Cooperation Board.

The Agency Funds account for the collection and distribution of property taxes and for the administration and reimbursement of payroll and payroll related costs by certain component units.

### Use of Resources:

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

### **BUDGETS AND BUDGETARY ACCOUNTING**

The City follows the following procedures in establishing the budgetary data reflected in the financial statements:

- The Uniform Budgeting Act (P.A. 621 of 1978) of the State of Michigan requires that all General and Special Revenue Funds annually adopt balanced budgets on the modified accrual basis of accounting.

Budgets for the General, Special Revenue, Debt Service and Capital Projects Funds were adopted on the modified accrual basis consistent with generally accepted accounting principles ("GAAP").



**1. Summary of Significant Accounting Policies, continued:**

- Prior to May 31, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the City Commission to obtain taxpayer comments.
- Prior to June 30, a separately issued budget report, which demonstrates legal compliance at the legal level of budgetary control, is enacted through passage of an ordinance.
- Appropriations are authorized by ordinance at the departmental level. This is the legal level of budgetary control. Administrative control is maintained through the establishment of more detailed line-item budgets.
- Budgeted amounts are as originally adopted, or as amended by the City Commission during the fiscal year.
- The City Comptroller is authorized to transfer budgeted amounts between accounts within the same department of any fund upon written request by a department or division head and approval by the City Manager. Transfers between departments must be approved by the City Commission.
- Supplemental appropriations are approved by the City Commission in the form of budget ordinance amendments. These appropriations, when required to provide for additional expenditures, are matched by additional anticipated revenues or an appropriation of available fund balance and must be approved by the City Commission.

**CASH AND INVESTMENTS**

Cash resources of the primary government and component units, except for the Pension Funds, are managed by the Treasurer. Investments and deposits managed by the Treasurer are money market investments (short term, highly liquid debt instruments that have a remaining maturity of one year or less at time of purchase), which consist of certificates of deposit and U.S. government securities, and are carried at amortized cost. Interest income earned as a result of cash and investment pooling is distributed to the appropriate funds. Interest earned on cash balances of the Streets Capital Construction Fund is recorded in the Major Streets Fund, its primary source of funding.

**DUE FROM OTHER GOVERNMENTAL UNITS**

Amounts due from other governments include amounts due from grantors for specific programs and capital projects. Program grants and capital grants for capital assets are recorded as receivables and revenues at the time reimbursable project costs are incurred. Revenues received in advance of project costs being incurred are deferred. Capital grants for capital asset additions to the Proprietary Funds are recorded as receivables and a corresponding increase to revenues when reimbursable project costs are incurred.

In evaluating the appropriate accruals for intergovernmental revenues (grants, subsidies and shared revenues), the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and nearly irrevocable. These resources are reflected as revenues at the time of receipt or earlier if they meet the criterion of availability.

# **1. Summary of Significant Accounting Policies, continued:**

## **INVENTORIES**

Inventories recorded in the Proprietary Funds are valued at the lower of cost (first-in, first-out) or market. In Governmental Funds, the Public Museum's Gift Shop inventory is valued in the same manner as inventories in the proprietary funds. All other Governmental Funds use the purchase method to account for inventories by charging the inventory items to expenditures at the time of purchase.

## **CAPITAL ASSETS**

Capital assets, which include property, buildings, equipment, and infrastructure assets, are reported in the applicable columns in the government-wide financial statements. Infrastructure, such as roads and bridges, was capitalized for the first time in fiscal year 2002. Capital assets having a useful life in excess of one year with costs in excess of threshold amounts are capitalized. Capital assets are valued at historical cost or estimated cost if actual cost is not available. Donated capital assets are valued at fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets useful lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects constructed. Interest accrued during the construction phase of capital assets of business-type activities is included as part of the capitalized value. Depreciation is computed using the straight-line method over the estimated useful lives shown in the following table:

<u>Asset Category</u>	<u>Useful Life (Years)</u>	<u>Threshold</u>
Land improvements	20	\$ 10,000
Buildings and structures	20-50	50,000
Leasehold improvements	10	50,000
Equipment	3-30	10,000
Water mains	75	20,000
Sewer service mains	50	20,000
Infrastructure	20-25	1,000,000

## **PROPERTY AND INCOME TAXES**

The City bills and collects its own property taxes. Taxes are levied on July 1 and are due without penalty on or before July 31. The property taxes attach as an enforceable lien on all property as of July 1. Uncollected real property taxes as of March 1 each year are turned over to Kent County for collection. Collection of delinquent personal property taxes remains the responsibility of the City Treasurer. Since all City property taxes levied are current receivables, tax revenues are recognized when levied. An allowance reducing revenues is recorded for estimated uncollectable delinquent personal property taxes.

**1. Summary of Significant Accounting Policies, continued:**

The City also acts as the billing and collection agent for the State of Michigan, Kent County, local transit authority ("Inter-urban Transit Partnership") and the independent school districts within the City limits. The State and school district taxes are billed with the City taxes on the July 1 levy. All Kent County taxes are billed on December 1 and are due without penalty on or before February 14. Taxes collected on behalf of the State, school districts and the County are accounted for in agency funds. Uncollectable State, school district and County real property taxes as of March 1 are also turned over to Kent County for collection.

At July 2004, the total assessed value of all real and personal property in the City subject to *ad valorem* taxation was \$4,852,844,200 before the reductions described in this paragraph. The assessed value generally represents 50% of the estimated current value of the property. Beginning in fiscal year 1995 the State constitution has limited the annual increase in taxable portion of the assessed value of existing property to the lesser of the rate of inflation or 5% until a transfer of ownership of the property occurs. At the time of transfer of ownership of property, all property is assessed at 50% of current value. The total *ad valorem* base was reduced by \$801,774,000 by this limitation, reducing City tax revenues by approximately \$6,393,000 for fiscal year 2005.

Additionally, beginning in fiscal year 1998, State law exempted from virtually all taxation, for a period of 12 years, income earned and property located in the City's six "Renaissance Zones". This exemption reduced the *ad valorem* roll total by approximately \$125,082,000 reducing City property tax revenues by approximately \$997,000 for fiscal year 2005. The City's portion of the property tax levy per \$1,000 of taxable value for fiscal year 2004 was based on the following rates:

	<u>Millage Rate Used</u>	<u>Authorized Millage Rate by either State law or City charter</u>
General operating	4.1389	4.2600
Promotional and advertising	0.0127	\$50,000 maximum
Refuse collection	1.3500	3.0000
Library operating	2.0889	2.1500
Library capital	0.3835	0.3950

An income tax is imposed on income earned within the City regardless of the residence of the taxpayer and on all income of City residents. Residents pay 1.3% of all taxable income and non-residents pay 0.65% of taxable income earned within the City limits.

## 1. Summary of Significant Accounting Policies, continued:

### COMPENSATED ABSENCES

City employees are granted vacation and sick leave in varying amounts based on length of service, terms of collective bargaining agreements, and City policies. Employees are limited by bargaining agreements or policy as to the amount of vacation that can be carried from one calendar year to another. Upon termination, employees are paid for unused vacation at their current rates. Unused accumulated sick leave is paid to employees with ten or more years of continuous service who retire or resign as provided by bargaining agreements on policy. It is the City's policy to recognize as a liability the obligation for vacation pay and sick leave in the government-wide and proprietary funds at the time the liability is incurred. In governmental fund statements, only amounts immediately payable due to terminations are reported as liabilities. A portion of the Governmental Fund balance is reported as Designated for Compensated Absences, representing the vested portion of compensated absences.

### SELF INSURANCE

The City is predominantly self-insured (general liability, workers' compensation and health). It is the City's policy to recognize the cost of self-insured claims at the time the liability is incurred in the Enterprise Funds and the Insurance Payment Internal Service Fund, as applicable. Budgetary appropriations are made to the extent that current claims can be anticipated. Changes in the balances of claim liabilities are as follows:

	<u>2004</u>	<u>2003</u>
Unpaid claims, beginning of year	\$ 11,300,000	\$ 11,300,000
Incurred claims, net of changes in estimates	(2,446,550)	1,334,009
Claim payments	<u>(303,450)</u>	<u>(1,334,009)</u>
Unpaid claims, end of year	<u>\$ 8,550,000</u>	<u>\$ 11,300,000</u>

The extent of purchased insurance coverage (i.e., property, workers' compensation, and general liability stop loss coverage) has not changed significantly from previous years. Settlements, if any, on losses covered by insurance have not exceeded insurance coverage for each of the past three fiscal years.

## 2. Equity in Pooled Cash and Investments

The City maintains an investment pool for most City funds. Each fund's portion of the investment pool is displayed on the balance sheet as "Equity in pooled cash and investments". The cash resources of the Retirement Systems' trust funds and other funds held by trustees are invested separately.

## 2. Equity in Pooled Cash and Investments, continued:

### DEPOSITS

At year-end, the carrying value of the City's deposits (included in "Equity in Pooled Cash and Investments") was \$20,176,017 and the associated bank balances were \$22,868,446. Of the bank balances, \$1,200,000 was covered by federal deposit insurance. Accordingly, the remained deposits were uninsured. The State of Michigan requires deposits to be maintained in depositories within the State of Michigan.

### INVESTMENTS—GENERAL CITY

Surplus funds are invested in accordance to the Michigan statutes, Chapter 18 of the City Code, and the City's Investment Policy. The policy of the City limits investments to bonds and other direct obligation of the U.S. Government or any agency or instrumentality thereof: Repurchase Agreements with a financial institution guaranteed with U.S. Government Obligation; Savings Deposit Receipts; Certificates of Deposit; Savings Accounts; Commercial Paper rated within the two highest classifications established by not less than two standard ratings services at the time of purchase; certain qualifying mutual funds registered under the Investment Act of 1940; and investment pools authorized by Public Act 367 of 1982. The purchase of commercial paper of any one company shall be limited to 10% of that company's outstanding commercial paper and shall not exceed 10% of the City's investments excluding U.S. Treasury Securities. State statutes also require that Certificates of Deposit be maintained in financial institutions with offices in the State of Michigan. Utilization is also made of bank investment pools organized under the surplus funds investment pool act (MCL 129.111 to 129.118). The State of Michigan statutes do not provide for collateralization of deposits. Though a significant portion of the City's cash and investments are not collateralized, the City's investment policy is utilized to monitor credit risk. Credit and Custodial risk is managed by use of periodic review of financial institutions and the required approval of the City Commission for use of financial institutions as a depository of surplus funds and for transacting trades on the City's behalf.

### INVESTMENTS—RETIREMENT SYSTEMS

The investments of the City's Retirement Systems are designed to comply with requirements of the State of Michigan, which has numerous investment limitations depending on the type of investment. The significant restrictions as they impact the Systems are:

1. Investments in stock are limited to 70% of the Systems' assets; investments in the stock of any one corporation are limited to 5% of the Systems' assets;
2. Equity investments in real estate are limited to 5% of the Systems' assets;
3. Investments in state and local government obligations are limited to 5% of the Systems' assets;
4. Investments in foreign securities are limited to 20% of the Systems' assets.

The City's investments are categorized below to give an indication of the level of risk assumed by the City at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities held by the counter-party's trust department (if a bank) or agent in the City's name. Category 3 includes uninsured and unregistered investments for which securities are held by the counter-party in the City's name or by the counter-party's trust department (if a bank) or agent but not in the City's name. The remaining investments are not categorized as they represent money market funds.

## 2. Equity in Pooled Cash and Investments, continued:

The following is a listing of investments in the pooled cash and investments account:

Investment Type	Category			Carrying Amount	Fair Value
	1	2	3		
Certificates of deposit - City	\$ -	\$ 100,612,650	\$ -	\$ 100,612,650	\$ 100,612,650
Noncategorized investments:					
Money market funds - City	-	-	-	67,989,195	67,989,195
	<u>\$ -</u>	<u>\$ 100,612,650</u>	<u>\$ -</u>	<u>\$ 168,601,845</u>	<u>\$ 168,601,845</u>

The following is a listing of investments and cash equivalents (cash equivalents include commercial paper and U.S. Treasury obligations with original maturities at time of purchase of less than 90 days, and cash) in trustee accounts for certain bond indentures and capital purchases:

Investment Type	Category			Carrying Amount	Fair Value
	1	2	3		
Cash equivalents - City	\$ -	\$ -	\$ -	\$ -	\$ -
Cash equivalents - Component Units	-	-	218,234	218,234	218,234
U.S. Government Securities - Component Units	-	-	5,399,973	5,399,973	5,399,973
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,618,207</u>	<u>\$ 5,618,207</u>	<u>\$ 5,618,207</u>

The following is a listing of investments in the Pension Trust Funds:

Investment Type	Category			Carrying Amount	Fair Value
	1	2	3		
U.S. Government obligations	\$ -	\$ -	\$ 119,368,590	\$ 119,368,590	\$ 119,368,590
Corporate Bonds	-	-	55,998,603	55,998,603	55,998,603
Corporate Stocks	-	-	387,152,531	387,152,531	387,152,531
Government and Municipal Bonds	-	-	6,962,922	6,962,922	6,962,922
Partnerships and Other Investments	-	-	17,874,455	17,874,455	17,874,455
	<u>-</u>	<u>-</u>	<u>587,357,101</u>	<u>587,357,101</u>	<u>587,357,101</u>
Noncategorized investments	-	-	18,896,858	18,896,858	18,896,858
Money Market Funds	-	-	606,253,959	606,253,959	606,253,959
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 606,253,959</u>	<u>\$ 606,253,959</u>	<u>\$ 606,253,959</u>

## 2. Equity in Pooled Cash and Investments, continued:

Cash and investments at June 30, 2004 are as follows:

Unrestricted	
Equity in pooled cash and investments:	
Primary Government	\$ 157,161,653
Fiduciary funds	423,574
Component Units	14,316,790
Funds held by trustee	6,241,006
Restricted (Note 4)	
Primary government:	
Equity in pooled cash and investments	21,018,321
Funds held by trustee	7,612,496
Pension Funds held by trustee	606,253,959
	<u>\$ 813,027,799</u>
Investment schedules	
Pooled cash and investment account	\$ 168,601,845
Trustee accounts for certain bond indentures and capital purchases	5,618,207
Pension Trust Funds	606,253,959
Deposits - City	18,236,998
Deposits - Component Units	<u>14,316,790</u>
	<u>\$ 813,027,799</u>

### 3. Stewardship, Compliance and Accountability

The Public Museum Special Revenue Fund had a negative fund balance of \$228,693 at June 30, 2004. A loan from the Public Museum Foundation has temporarily covered this deficit. To eliminate the deficit, the Museum staff is planning on selling currently unused real estate and profiting from a major exhibit in 2005.

The legal level of budgetary control is the department level. With limited exceptions, including the General Fund, funds contain the operations of a single department. For the year ended June 30, 2004, expenditures exceeded appropriations in the following governmental funds:

<u>Fund</u>	<u>Excess</u>
Public Museum	\$ 2,672,779
Sidewalk Repair	177,351
Drug Law Enforcement	92,706
General Fund	36,389
General Special Revenue	35,849
Economic Development	26,320
Building Inspections	13,068

### 4. Restricted Assets

Certain bond issues require the restriction of assets. The amount of restricted assets is determined by authorized construction projects, requirements specified in bond ordinances and current bond maturities. Restricted assets as shown in the Statement of Net Assets as of June 30, 2004 consist of the following:

	<u>Enterprise Funds</u>		
	<u>Water Supply System</u>	<u>Sewer Disposal System</u>	<u>Total</u>
Equity in pooled cash and investments	\$ -	\$ 21,018,321	\$ 21,018,321
Funds held by trustee	5,160,980	2,451,516	7,612,496
Loans receivable	306,798	178,831	485,629
Deferred bond costs	1,050,957	661,414	1,712,371
Total restricted assets	<u>\$ 6,518,735</u>	<u>\$ 24,310,082</u>	<u>\$ 30,828,817</u>



## 5. Capital Assets

Capital assets at June 30, 2004 are summarized as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<b>Governmental activities</b>	(Restated, Note 11)			
Capital assets, not being depreciated:				
Land	\$ 16,357,963	\$ 754,446	\$ 748,668	\$ 16,363,741
Construction in progress	21,345,839	-	8,686,262	12,659,577
Total capital assets, not being depreciated	37,703,802	754,446	9,434,930	29,023,318
Capital assets, being depreciated:				
Land improvements	30,972,722	707,260	-	31,679,982
Buildings and structures	159,430,508	7,709,390	276,836	166,863,062
Leasehold improvements	254,766	-	-	254,766
Machinery and equipment	17,086,686	6,056,184	-	23,122,870
Motor vehicles	41,067,270	2,923,179	2,258,554	41,731,895
Furniture	3,592,566	1,975,556	-	5,568,122
Infrastructure	16,463,637	1,180,753	-	17,644,390
Total capital assets, being depreciated	268,848,155	20,552,322	2,535,390	286,865,087
Less accumulated depreciation for:				
Land improvements	11,467,006	1,410,618	-	12,877,624
Buildings and structures	33,231,885	5,883,501	271,316	38,844,070
Leasehold improvements	189,746	25,477	-	215,223
Machinery and equipment	8,883,256	1,873,215	-	10,756,471
Motor vehicles	22,475,315	4,474,597	2,050,063	24,899,849
Furniture	2,616,684	401,579	-	3,018,263
Infrastructure	9,528,721	440,554	-	9,969,275
Total accumulated depreciation	88,392,613	14,509,541	2,321,379	100,580,775
Total capital assets, being depreciated, net	180,455,542	6,042,781	214,011	186,284,312
Governmental activities capital assets, net	\$ 218,159,344	\$ 6,797,227	\$ 9,648,941	\$ 215,307,630

5. Capital Assets, continued:

	Balance July 1, 2003 (Restated, Note 11)	Additions	Deletions	Balance June 30, 2004
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 9,743,651	\$ 510,000	\$ -	\$ 10,253,651
Construction in progress	28,637,260	-	12,848,755	15,788,505
Total capital assets, not being depreciated	38,380,911	510,000	12,848,755	26,042,156
Capital assets, being depreciated:				
Land improvements	16,973,943	577,954	-	17,551,897
Buildings and structures	130,891,086	18,990,435	-	149,881,521
Storage tanks	12,326,512	1,218,448	-	13,544,960
Water meters	7,375,481	-	-	7,375,481
Machinery and equipment	127,383,088	2,277,217	-	129,660,305
Motor vehicles	985,990	-	-	985,990
Furniture	1,569,362	137,027	-	1,706,389
Sewer service mains	234,849,180	15,255,018	-	250,104,198
Water mains	191,996,483	6,384,202	-	198,380,685
Total capital assets being depreciated	724,351,125	44,840,301	-	769,191,426
Less accumulated depreciation for:				
Land improvements	9,788,758	823,930	-	10,612,688
Buildings and structures	47,277,373	3,216,100	-	50,493,473
Storage tanks	6,396,736	317,841	-	6,714,577
Water meters	6,645,017	169,096	-	6,814,113
Machinery and equipment	79,490,205	3,519,219	-	83,009,424
Motor vehicles	458,395	106,076	-	564,471
Furniture	1,239,650	83,917	-	1,323,567
Sewer service mains	63,995,301	4,673,982	-	68,669,283
Water mains	37,733,799	2,593,074	-	40,326,873
Total accumulated depreciation	253,025,234	15,503,235	-	268,528,469
Total capital assets, being depreciated, net	471,325,891	29,337,066	-	500,662,957
Business-type activities capital assets, net	\$ 509,706,802	\$ 29,847,066	\$ 12,848,755	\$ 526,705,113

**5. Capital Assets, continued:**

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities</b>	
General government	\$ 1,785,381
Public safety	2,172,116
Public works	1,545,105
Culture and recreation	4,333,220
Capital assets held by the government's internal service funds	<u>4,673,719</u>
Total depreciation expense - governmental activities	<u>\$ 14,509,541</u>
<b>Business-type activities</b>	
Water	\$ 6,224,578
Sewer	7,704,306
Auto parking	1,357,128
Other	<u>217,223</u>
Total depreciation expense - business-type activities	<u>\$ 15,503,235</u>

5. Capital Assets, continued:

**DISCRETELY PRESENTED COMPONENT UNITS**

Activity for the Downtown Development Authority for the year ended June 30, 2004 was as follows:

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
Capital assets, not being depreciated:				
Land	\$ 11,313,379	\$ 742,468	\$ 839,888	\$ 11,215,959
Construction in Progress	-	971,318	-	971,318
Capital assets, being depreciated:				
Land improvements	3,475,706	1,605,302	-	5,081,008
Buildings and structures	58,845,693	-	-	58,845,693
Machinery and equipment	6,371,478	117,275	-	6,488,753
Motor vehicles	22,563	-	-	22,563
Furniture	2,827,540	-	-	2,827,540
Total capital assets being depreciated	71,542,980	1,722,577	-	73,265,557
Less accumulated depreciation for:				
Land improvements	1,672,038	376,185	-	2,048,223
Buildings and structures	13,243,093	1,962,226	-	15,205,319
Machinery and equipment	1,696,907	286,652	-	1,983,559
Motor vehicles	22,563	-	-	22,563
Furniture	636,197	94,251	-	730,448
Total accumulated depreciation	17,270,798	2,719,314	-	19,990,112
Total capital assets, being depreciated, net	54,272,182	(996,737)	-	53,275,445
Downtown Development Authority capital assets, net	\$ 65,585,561	\$ 717,049	\$ 839,888	\$ 65,462,722

## 5. Capital Assets, continued:

Activity for the Tax Increment Financing Authority for the year ended June 30, 2004 was as follows:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2004</u>
	(Restated, Note 11)			
Capital assets, not being depreciated:				
Land	\$ 1,280,000	\$ -	\$ -	\$ 1,280,000
Capital assets, being depreciated:				
Land improvements	3,337,341	-	-	3,337,341
Buildings and structures	173,655	-	-	173,655
Total capital assets being depreciated	3,510,996	-	-	3,510,996
Less accumulated depreciation for:				
Land improvements	692,534	166,867	-	859,401
Buildings and structures	35,454	8,683	-	44,137
Total accumulated depreciation	727,988	175,550	-	903,538
Total capital assets, being depreciated, net	2,783,008	(175,550)	-	2,607,458
Tax Increment Financing Authority capital assets, net	\$ 4,063,008	\$ (175,550)	\$ -	\$ 3,887,458

The SmartZone Development Authority and the Brownfield Redevelopment Authority do not have capital assets.

The City has active construction projects as of June 30, 2004. The major projects include various Water Supply System, Sewage Disposal System and Street Construction Projects, as well as the Community Archive and Research Center project. At year-end, the City's major commitments with contractors are as follows:

	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Projects:		
Various water mains and system construction projects	\$ 8,175,889	\$ 2,555,073
Various service mains and system construction projects	10,678,059	16,907,470
Various street construction projects	3,030,764	3,321,249
Community Archive and Research Center - Phase II	6,170,288	1,560,744
Total	\$ 28,055,000	\$ 24,344,536

## 6. Long-Term Obligations

The following is a summary of long-term obligation transactions for the year ended June 30, 2004:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Governmental Activities</b>					
Bonds & contracts payable:					
General obligation limited tax bonds	\$ 91,867,232	\$ 7,668,070	\$ (10,518,196)	\$ 89,017,106	\$ 6,893,702
Revenue bonds	30,855,000	-	-	30,855,000	285,000
State Loans	1,750,824	-	(173,983)	1,576,841	180,394
Premium on bonds	321,452	36,196	(24,482)	333,166	-
Less deferred amounts:					
On refunding	-	(289,105)	17,945	(271,160)	-
For issuance discounts	(1,143,828)	(37,357)	98,958	(1,082,227)	-
Total bonds & contracts payable	123,650,680	7,377,804	(10,599,758)	120,428,726	7,359,096
Insurance Claims	8,000,000	-	(2,750,000)	5,250,000	3,865,800
Compensated absences	10,442,075	-	(582,470)	9,859,605	5,817,167
Total Long-term Liabilities- Governmental Activities	<u>\$ 142,092,755</u>	<u>\$ 7,377,804</u>	<u>\$ (13,932,228)</u>	<u>\$ 135,538,331</u>	<u>\$ 17,042,063</u>
<b>Business-Type Activities</b>					
Bonds & contracts payable:					
General obligation limited tax bonds	\$ 22,757,732	\$ -	\$ (1,204,618)	\$ 21,553,114	\$ 947,697
Revenue bonds	246,260,393	-	(10,056,888)	236,203,505	10,486,812
Premium on bonds	1,950,758	-	(118,646)	1,832,112	-
Less deferred amounts:					
On refunding	(10,324,656)	-	639,830	(9,684,826)	-
Total bonds & contracts payable	260,644,227	-	(10,740,322)	249,903,905	11,434,509
Total Long-term Liabilities- Business-Type Activities	<u>\$ 260,644,227</u>	<u>\$ -</u>	<u>\$ (10,740,322)</u>	<u>\$ 249,903,905</u>	<u>\$ 11,434,509</u>
<b>Component Units</b>					
Bonds & contracts payable:					
General obligation limited tax bonds	\$ 2,702,900	\$ 3,805,000	\$ (482,250)	\$ 6,025,650	\$ 522,350
Revenue bonds	47,990,720	-	(1,630,000)	46,360,720	1,815,000
Accrued interest	8,143,021	1,326,640	-	9,469,661	-
State Loans	689,406	-	(65,694)	623,712	68,321
Premium on bonds	-	71,574	-	71,574	-
Total bonds & contracts payable	59,526,047	5,203,214	(2,177,944)	62,551,317	2,405,671
Total Long-term Liabilities- Component Units	<u>\$ 59,526,047</u>	<u>\$ 5,203,214</u>	<u>\$ (2,177,944)</u>	<u>\$ 62,551,317</u>	<u>\$ 2,405,671</u>

City of Grand Rapids, Michigan  
Notes to Financial Statements

6. Long-Term Obligations, continued:

Governmental Activities	Maturity Dates	Interest Rates	Outstanding Balance
Bonds and Contracts:			
2003 Grand Rapids Building Authority Refunding Bonds	4-05 to 4-13	1.2 - 3.85%	\$ 3,472,386
2002A Grand Rapids Building Authority (Condo II)	10-04 to 10-28	2.5 - 5.5%	30,855,000
2002 Grand Rapids Building Authority (Arch. Ctr. Ph II)	4-05 to 4-22	3.125 - 5.1%	3,290,000
2000 Grand Rapids Building Authority (Police Facilities)	8-04 to 8-20	4.55 - 5.75%	23,085,000
1999 Grand Rapids Building Authority (Archive Center)	4-05 to 4-19	4.2 - 5.25%	1,650,000
1998 Grand Rapids Building Authority (Library)	4-05 to 4-18	4 - 5%	17,130,000
1997 Grand Rapids Building Authority Refunding Bonds	10-04 to 10-09	4.45 - 4.9%	1,410,000
1993 Grand Rapids and County of Kent Joint Building Authority Contract	1-05 to 1-14	4.55 - 5%	2,125,000
2003 Michigan Transportation Fund Bonds	10-04 to 10-18	2 - 4.2%	3,750,000
1999 Michigan Transportation Fund Bonds (Act 175 Bonds)	10-04 to 10-14	4.5 - 5.5%	8,805,000
Improvement Loan - State of Michigan	through 1-06	no interest	22,643
Kent County Drain Commission Contract payable (2003)	11-04 to 11-15	2 - 4.25%	4,308,070
Kent County Drain Commission Contract payable (2000 Floodwalls)	11-04 to 11-20	5 - 5.55%	2,496,600
Kent County Drain Commission Contract payable (1997 Floodwalls)	11-04 to 11-17	4.4 - 5%	5,128,250
Kent County Drain Commission Contract Payable (1995 Silver Creek)	11-04 to 11-06	4.8 - 4.9%	322,800
2001 MDOT Contract Payable	7-04 to 7-12	4%	1,554,198
Other 2004 installment purchase agreements	6-05 to 6-12	2 - 4%	1,348,640
Other 2002 installment purchase agreements	6-05 to 6-09	2 - 3.5%	406,500
Other 2001 installment purchase agreements	6-05 to 6-08	3.45 - 4.15%	1,759,652
Other 1998 installment purchase agreements	2-05	4.3%	122,097
Motor Equipment System - 2004 Installment Purchase agreements	6-05 to 6-12	2 - 4%	2,011,360
Motor Equipment System - 2002A Installment Purchase agreements	6-05 to 6-09	2 - 3.5%	1,817,500
Motor Equipment System - 2002 Installment Purchase agreements	6-05 to 6-10	3 - 4.75%	1,665,000
Motor Equipment System - 2001 Installment Purchase agreements	6-05 to 6-08	3.65 - 4.15%	1,150,348
Motor Equipment System - 2000 Installment Purchase agreements	6-05 to 6-07	4.7 - 5.05%	1,230,000
Motor Equipment System - 1999 Installment Purchase agreements	6-05	4%	400,000
Motor Equipment System - 1998 Installment Purchase agreements	2-05	4.3%	132,903
			121,448,947
Other:			
Claims Payable			4,000,000
Workers Compensation			1,250,000
Compensated absences			9,859,605
Unamortized Bond Premium			333,166
Unamortized Bond Discount			(1,082,227)
Deferred amount on Refunding Bonds			(271,160)
Total Long-Term Portion Governmental Activities			\$ 135,538,331

6. Long-Term Obligations, continued:

Business-Type Activities	Maturity Dates	Interest Rates	Outstanding Balance
Bonds and Contracts:			
2000 Water Supply System Refunding Bonds	1-05 to 1-18	4 - 5.75%	\$ 78,565,000
1993 Water Supply System Revenue Bonds	1-05 to 1-20	5%	39,500,000
1998 Sanitary Sewer System Refunding and Improvement Revenue Bonds	1-05 to 1-28	4.25 - 5.5%	81,590,000
1995A Sanitary Sewer System Improvement Junior Lien Revenue Bonds	4-05 to 4-16	2%	2,568,505
1995B Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-04 to 10-16	2%	2,410,000
1994A Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-04 to 10-14	2%	6,840,000
1994B Sanitary Sewer System Improvement Junior Lien Revenue Bonds	4-05 to 4-15	2%	4,215,000
1993A Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-04 to 10-13	2%	5,730,000
1993B Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-04 to 10-13	2%	5,335,000
1992A Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-04 to 10-13	2%	7,845,000
1992B Sanitary Sewer System Improvement Junior Lien Revenue Bonds	10-04 to 10-13	2%	935,000
1991 Sanitary Sewer System Junior Lien Revenue Bonds	10-04 to 10-13	2%	670,000
2002A Installment Purchase Agreement (Belknap Ice Arena)	6-05 to 6-17	2 - 4.4%	1,251,000
1996 Grand Rapids Building Authority Bonds (Monroe Center 3)	10-04 to 10-05	5.40%	430,000
2003 Grand Rapids Building Authority Bonds Refunding Bonds	4-05 to 4-13	1.6 - 3.85%	4,267,614
2001 Grand Rapids Building Authority Bonds Refunding Bonds	10-04 to 10-20	3 - 5.1%	5,410,000
2001 Grand Rapids Building Authority Bonds	10-10 to 10-31	4.38 - 5.13%	9,150,000
Kent County Drain Commission Contract Payable (2000 Floodwall Project)	11-04 to 11-20	5.10 - 5.55%	342,000
Kent County Drain Commission Contract Payable (1997 Floodwall Project)	11-04 to 11-17	4.4 - 5%	702,500
			<u>257,756,619</u>
Other:			
Bond Premium			1,832,112
Deferred Amount on GRBA Refunding Bonds			(314,108)
Deferred Amount on Water Refunding Bonds			(6,101,353)
Deferred Amount on Sewer Refunding Bonds			<u>(3,269,365)</u>
			249,903,905
Less:			
Bonds & Contracts Payable amounts due within one year			<u>(11,434,509)</u>
Total Long-Term Portion Business-Type Activities			<u>\$ 238,469,396</u>



6. Long-Term Obligations, continued:

Governmental Funds Component Units	Maturity Dates	Interest Rates	Outstanding Balance
Bonds and Contracts:			
1994 Downtown Development Authority Tax Increment Revenue Bonds	6-05 to 6-24	6.1 - 7.35%	\$ 46,360,720
1989 General Obligation Limited Tax Development Refunding Bonds (Downtown Development Authority)	8-04	7.1%	445,000
MDOT Contract Payable	7-04 to 7-12	4%	623,712
Kent County Drain Commission Contracts Payable (2000 Floodwall Project)	11-04 to 11-20	5 - 5.55%	581,400
Kent County Drain Commission Contracts Payable (1997 Floodwall Project)	11-04 to 11-17	4.4 - 5%	1,194,250
Satellite SmartZone (2004)	06-08 to 06-28	3 - 5.375%	<u>3,805,000</u>
			53,010,082
Other:			
Premium on bonds			71,574
Accrued interest on Capital appreciation portion of 1994 issue			<u>9,469,661</u>
			62,551,317
Less:			
Bonds & Contracts Payable amounts due within one year			<u>(2,405,671)</u>
Total Long-Term Portion Governmental Component Units			<u>\$ 60,145,646</u>

Effective May 20, 2004, the SmartZone LFDA issued \$3,805,000 of General obligation limited tax local development bonds. Interest rates range from 3% to 5.375% and maturities of various amounts from June 2008 to 2028. The net proceeds of \$3,838,829 (including an original issue premium of \$71,574 and less an underwriters discount of \$37,745) were used to: (1) pay bond insurance \$16,984, (2) pay other bond issue costs \$10,500, (3) reimburse the Water Supply System \$3,605,000 for costs associated with moving their facilities into the Satellite SmartZone, and (4) the remainder will be used for future debt service payments.

On June 30, 2004, series 2004 Municipal Purchase Notes, General obligation limited tax bonds were issued. Interest rates range from 2% to 4% and maturities of various amounts from June 2005 to 2012. The net proceeds of \$3,361,956 (including an original issue premium of \$36,196 less underwriters discount of \$31,240) were: (1) deposited into a project fund to finance the purchase of large equipment, and (2) the remainder used to pay future debt service.

Revenue bond issues with the exception of the DDA Tax Increment Bonds are collateralized by capital assets constructed from bond proceeds. The current debt service requirements are provided by net revenues derived from operations of the various Enterprise Funds and are specifically restricted as detailed in Note 4.

The bonds issued by the GRBA have been recorded in the governmental activities for government-wide presentation except for the Monroe Center II Parking Ramp issue and a portion of the 2003 Refunding bond issue for which the obligations and related assets are recorded in the Auto Parking System Enterprise Fund. The City pays the current debt service requirements on these bonds in the form of lease payments to the GRBA. The City has pledged its limited full faith and credit on these bonds.

## 6. Long-Term Obligations, continued:

The 1993 bonds issued by the JBA are recorded in governmental activities for government-wide presentation and the related assets (the museum parking ramp) have been recorded in the governmental activities capital assets. The current debt service requirements are paid by the DDA, a component unit of the City. The City has pledged its limited full faith and credit on these bonds.

Amounts reflected as Contracts Payable (with Kent County) represent the City's liability for road, intra-county drain and improvement projects in which it participated or is participating with the County.

The Motor Vehicle Highway Revenue Bond (Act 175) issues are backed by the limited full faith and credit of the City. Current debt service requirements are funded by state collected taxes returned to the City for highway purposes and are maintained in a debt service fund.

The Installment Purchase Agreements Series issued by the City and the DDA, depending on the nature of the Purchase Agreements, are reported as business or governmental assets and liabilities for Government-wide presentation. These agreements are general obligations of the City and the DDA.

The bonds issued by the DDA were issued in anticipation of Tax Increment Revenues on taxable properties in the Development area. The debt service requirements are financed from property tax revenues collected in the DDA Governmental fund type. The City has pledged its limited full faith and credit on the 1989 General Obligation Limited Tax Development Refunding bonds.

The City's total bonded debt does not include the JBA bonds of \$82,158,904 issued December 21, 2001. These bonds were issued to finance a substantial portion of the new DeVos Place Convention Center Facility. The bonds are payable from the proceeds of semi-annual rental payments in amounts sufficient to pay principal and interest on the bonds. The County has the sole responsibility for the repayment of this debt through its Hotel/Motel tax receipts and general assets. The City is not liable for the payment of principal or interest and therefore has excluded them from the financial statements.

Amounts due for Compensated Absences are liquidated as they become payable by the funds from which the related employees compensation is paid.

**6. Long-Term Obligations, continued:**

The annual requirements for debt service payments on long term bonds and contracts payable at June 30, 2004 are:

Fiscal Year	Governmental Activities		Business Type Activities		Component Units		Totals	
	Governmental		Business Type		Governmental		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 7,359,091	\$ 5,586,096	\$ 11,434,509	\$ 11,999,042	\$ 2,405,671	\$ 2,784,967	\$ 21,199,271	\$ 20,370,105
2006	7,074,193	5,318,823	11,903,960	11,557,809	2,637,654	2,642,732	21,615,807	19,519,364
2007	7,478,174	5,044,326	12,340,668	11,093,838	2,899,746	2,476,930	22,718,588	18,615,094
2008	7,413,671	4,744,011	12,770,378	10,640,580	3,243,652	2,291,685	23,427,701	17,676,276
2009	7,058,627	4,438,399	13,283,267	10,112,601	1,452,976	4,177,997	21,794,870	18,728,997
2010-2014	32,603,459	17,725,154	73,354,034	41,469,828	6,878,872	22,966,084	112,836,365	82,161,066
2015-2019	28,948,732	9,806,731	65,559,803	23,751,738	8,284,511	23,188,047	102,793,046	56,746,516
2020-2024	13,418,000	3,922,699	28,195,000	10,963,788	24,172,000	5,317,436	65,785,000	20,203,923
2025-2029	10,095,000	1,311,125	26,105,000	3,937,316	1,035,000	146,200	37,235,000	5,394,641
2030-2034	-	-	2,810,000	220,888	-	-	2,810,000	220,888
	<u>\$ 121,448,947</u>	<u>\$ 57,897,364</u>	<u>\$ 257,756,619</u>	<u>\$ 135,747,428</u>	<u>\$ 53,010,082</u>	<u>\$ 65,992,078</u>	<u>\$ 432,215,648</u>	<u>\$ 259,636,870</u>

The City is in compliance with all significant limitations and restrictions contained in various bond indentures.

**DEFEASANCE OF OUTSTANDING DEBT**

In prior years, the City defeased the remaining outstanding principal, or a major portion thereof, of the following issues by depositing U.S. Treasury bonds and notes with an escrow agent:

Year of Issue	Description	Amount Outstanding at June 30, 2004
1991	Water Supply System Bonds	\$ 79,180,000
1990	Sewage Disposal System Bonds	19,860,000
1992	Sewage Disposal System Bonds	34,980,000

## 6. Long-Term Obligations, continued:

The funds are held by escrow agents in irrevocable trust funds segregated for the benefit of the holders of the outstanding bonds, and accordingly the trust funds' assets and the liability for the defeased bonds are not included in the City's financial statements.

### WORKERS COMPENSATION

Although the liability for Workers' Compensation is recorded in the Insurance Payment Internal Services Fund, it remains a liability of the City. The operating budget of the City reflects the amounts required to pay for these liabilities in the departments where employees are located. These amounts are reported as revenue and operating transfers to the Insurance Payment Fund, which is used to pay actual claims and related costs.

### COMPENSATED ABSENCES

The City provides employees with paid time off—including vacation, sick and compensatory time off for overtime—as defined by Collective Bargaining Agreements and City policies. This liability for unused time is reported in the Government Funds statements as a designated portion of Fund Balance under modified accrual accounting and in the Government-wide Proprietary and Internal Service statements as a liability under the full accrual method of accounting.

## 7. Retirement Plans

The City has two single-employer defined benefit pension plans which provide retirement and disability benefits to plan members and beneficiaries. The Police and Fire Retirement System covers eligible employees who are police officers and firefighters regularly employed by the City. The General Retirement System covers other eligible employees regularly employed by the City, including the 61<sup>st</sup> District Court. Benefit provisions are established and amended by City Ordinance. Each System issues publicly available individual financial reports that include financial statements and required supplementary information. The Pension financial statements can be obtained from the City of Grand Rapids Retirement Systems Office.

### BASIS OF ACCOUNTING

The Systems' financial statements are prepared using the accrual basis of accounting. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Plan member contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The Police and Fire System has adopted a December 31 year-end, the General Retirement System shares a June 30 year-end with the general government. These financial statements are prepared using the most recent audited statements of each system. The actuarial information is from the most recent available actuarial statements of each system.

## 7. Retirement Plans, continued:

### INVESTMENTS

Investments are reported at fair value. Short-term investments are reported at cost, which approximate fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

The investments of these Systems are designed to comply with requirements of the State of Michigan, which has numerous investment limitations depending on the type of investment. The most significant requirements as they impact the Systems are:

1. Investments in stock are limited to 70% of the Systems' assets and investments in the stock of any one corporation are limited to 5% of the Systems' assets;
2. Equity investments in real estate are limited to 5% of the Systems' assets;
3. Investments in state and local government obligations are limited to 5% of the Systems' assets;
4. Investments in foreign securities are limited to 20% of the Systems' assets.

The fair value of individual investments that represent 5% or more of the Police and Fire Retirement System and the General Retirement System net assets held in trust for pension benefits at each funds' fiscal year end are as follows:

	<u>Police and Fire Pension System</u>	<u>General Pension System</u>
Northern Trust Global Investors Collective Daily Russell 1000 Equity Index Fund (mutual fund)	\$ 44,904,077	\$ 91,735,306
Morgan Stanley Institutional Fund International Equity Portfolio (mutual fund)	49,921,751	51,401,006
Wellington Small Cap 2000 (mutual fund)	51,892,368	51,763,950
PIMCO Stocks Plus L.P. (partnership)	16,015,823	16,105,309

## 7. Retirement Plans, continued:

### FUNDING POLICY

The contribution requirements of plan members and the City are based on City Ordinance. The contribution rates for fiscal year 2004, the City's annual pension cost for the most recent available fiscal year (2004 actuarial valuations were not available at time of publication), and related actuarial information for each plan is as follows:

	<u>Police and Fire Retirement System</u>	<u>General Retirement System</u>
Contribution Rates:		
City	1.22%	2.55%
Plan Members	3.2 - 8.86%	2.0% - 3.28%
Annual Pension Cost *	\$ 525,967	\$ 1,600,534
Contributions made	\$ 525,967	\$ 1,600,534
Actuarial valuation date	December 31, 2003	June 30, 2003
Actuarial cost method	Individual entry age	Individual entry age
Amortization method	Level percent, open	Level percent, closed
Remaining amortization period	15 years for unfunded actuarial liabilities	14 years for unfunded actuarial liabilities
Asset valuation method	2 year smoothed market, reset to market value as of December 31, 2003	3 year smoothed market
Actuarial assumptions:		
Investment rate of return**	7%	7.5%
Projected salary increases	4% - 6.7%	4% - 8%

\* One-half year for the Police and Fire System

\*\* Includes inflation at 4% and cost-of-living adjustments.

**7. Retirement Plans, continued:**

Three year trend information:

	Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Police and Fire Retirement System	June 30, 2002	\$ -	100%	\$ -
	June 30, 2003	-	100	-
	* Six months ended December 31, 2003	525,967	100	-
General Retirement System	June 30, 2001	\$ 815,441	100%	\$ -
	June 30, 2002	485,854	100	-
	June 30, 2003	1,600,534	100	-

\* The Police and Fire Retirement System changed to a December 31 year-end. Accordingly, the financial statements present six months of activity.

Police and Fire Retirement System:

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
	( a )	( b )	( b - a )	( a / b )	( c )	(( b - a ) / c )
June 30, 2002	\$ 287,125,896	\$ 265,750,488	\$ (21,375,408)	108%	\$ 32,508,791	0%
June 30, 2003	270,208,638	276,876,491	6,667,853	98%	33,543,566	20%
December 31, 2003	301,845,219	276,065,502	(25,779,717)	109%	33,101,130	0%

General Retirement System:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
	( a )	( b )	( b - a )	( a / b )	( c )	(( b - a ) / c )
June 30, 2001	\$ 290,531,573	\$ 269,527,426	\$ (21,004,147)	108%	\$ 52,313,712	0%
June 30, 2002	282,764,403	285,261,608	2,497,205	99%	49,209,733	5%
June 30, 2003	270,637,794	297,568,110	26,930,316	91%	51,005,278	53%

## 8. Inter-fund Receivables, Payables and Transfers

Inter-fund receivables and payables at June 30, 2004 are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$ 1,514,471	\$ -
Major Streets	168,722	-
Local Streets	-	168,722
Museum	-	16,157
Building Authority-Debt Service	-	1,475,720
Fiduciary	-	11,297
Fiduciary-(timing difference due to a different year end)	-	11,297
	<u>\$ 1,683,193</u>	<u>\$ 1,683,193</u>

Inter-fund transfers for the year ended June 30, 2004 were as follows:

	<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:	General	\$ 4,470,975	\$ 8,272,995
	Library	80,424	1,711,772
	Museum	2,034,370	49,716
	Refuse	-	243,497
	Major Streets	-	5,010,893
	Local Streets	1,500,000	139,977
	Streets Capital	4,223,394	-
	General Capital	-	3,798,573
	Building Authority	1,627,624	2,329,540
	Non-major Governmental	10,194,302	2,026,783
		1,930,765	1,140,301
Enterprise Funds:	Water Supply System	-	2,760,518
	Sewage Disposal System	-	410,248
	Auto Parking System	588,696	173,971
	Non-Major Proprietary	-	212,159
Internal Service Funds:	Information Technology	-	329,470
	Motor Equipment	-	249,576
	Facilities Management	-	215,603
	Central Stores	-	149,671
	Insurance Payment	2,574,713	
		<u>\$ 29,225,263</u>	<u>\$ 29,225,263</u>



## 9. Commitments, Contingencies, Related Party Transactions and Subsequent Events

1. Federal and State Grants—The City has received several federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Although no amounts have been claimed, such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. The City believes such disallowance, if any, will be immaterial.
2. Remediation Sites—In addition to sites for which the City reached remediation agreements with the appropriate regulatory bodies, the City has received notice that ground contamination has been discovered on certain properties, either currently owned or previously utilized by the City. The ultimate remediation methods and liability, if any, are presently impossible to estimate. The City is currently analyzing the site in an effort to understand its potential liability, the extent of the contamination and appropriate remediation methods.
3. Swap Agreement—In March 1993, the City entered into an interest rate swap agreement with a bank to fix the rate of interest paid on the \$40,900,000 1993 Water System Demand Revenue Refunding Bonds. The interest rate on the bonds is guaranteed at 5% over the term of the bonds. The bonds carry mandatory annual sinking fund redemptions through January 1st, 2020. Annual redemptions reduce the notional amount on which interest rate payments are made. Net interest differentials that will be paid or received under the agreement are accrued and included as adjustments to interest expense.
4. Litigation—In the normal course of its activities, the City becomes a party in various legal actions. In the opinion of the City attorney, adequate reserves have been established for the potential liability for all claims.
5. Post-Employment Benefits—As required by union agreements, the City pays the annual health care expenses for all qualified retirees and their eligible dependents until the retirees reach age 65. Generally, employees are eligible at age 50, after 30 years of service (except for police and fire employees, for whom there is no years of service requirement) or upon becoming disabled. The Insurance Payment Fund charges the appropriate City funds for the estimated annual health care costs of the above retirees. At June 30, 2004, there were 446 retirees eligible to receive benefits. The charge to the appropriate City funds, during the year ended June 30, 2004, was approximately \$4,610,000.
6. Bond Issue—In August, 2004, the City of Grand Rapids issued Sanitary Sewer System Revenue Bonds in the amount of \$37,475,000. The proceeds of the bonds will be used for the separation of combined sanitary and storm sewers including the construction of new sewers to provide the separate conveyance of storm water and sanitary sewage, a new force main, a new relief sewer, and other upgrading to increase pump capacity. The anticipated bonds will be self-liquidating bonds and will not be a general obligation of the City, debt service will be funded solely from the net revenues derived from operation of the Sewer System.

## 10. Deferred Compensation Plans

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code ("IRC") Section 457. The plan, available to all City employees, permits deferral of a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or listed emergency. All amounts of compensation deferred under the plan, all property and rights purchased with such amounts and all income attributable to such amounts, property or rights are solely the property and rights of the Participants. At June 30, 2004, the total fair market value of plan assets was approximately \$54,021,000. Net of the effect of employee contributions, withdrawals and earnings, the fair market value of plan assets increased \$6,760,000 for the year ended June 30, 2004. It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent administrator.

## 10. Deferred Compensation Plans, continued:

The City also offers to executive and appointed employees a defined contribution contributory savings plan created in accordance with IRC Section 401(a). Participants with the 401(a) plan may also participate in the 457 plan to specified limits; however, they may not participate in the City's retirement systems. Participants are immediately vested in required employee contributions at 6% and employer contributions at specified percentages (determined by City Ordinance) of employees' current salaries. Plan contributions are maintained with earnings in a deferred account for each participant. The financial information is prepared using the modified accrual basis of accounting. At June 30, 2004, there were 23 active and 11 terminated plan participants. The total fair market value of plan assets for both groups of participants was approximately \$6,182,000. Contributions made by employees and the City totaled \$126,000 and \$297,000 respectively, for the fiscal year ended June 30, 2004.

## 11. Prior Period Adjustments

Subsequent to the issuance of the Comprehensive Annual Financial Report (the "CAFR") for fiscal year 2003, certain items were identified which require correction of amounts included in that report. These are:

1. Downtown Development Authority. It was determined that accrued interest payable and accrued interest expense on the capital appreciation portion of series 1994 tax increment revenues bonds were not recorded. As a result, Net Assets for the DDA was reduced by approximately \$8 million.
2. In Governmental activities and Tax Increment Financing Authority. A routine review indicated that land improvements constructed using proceeds from the Kent County Drain Commission Series 1997 bonds were not recorded when the project was completed.
3. In 2003, the Internal Service Funds were allocated between governmental and business-type activities for both the Statement of Net Assets and the Statement of Activities. The beginning balances have been restated for 2004 for the Statement of Net Assets to include all Internal Service fund activities as governmental.
4. Prior period adjustments:

	Primary Government		Component units	
	Governmental Activities	Business-Type Activities	Downtown Development Authority	Tax Increment Financing Authority
Net assets as reported at June 30, 2003	\$ 165,791,741	\$ 367,190,623	\$ 41,788,058	\$ 2,607,233
Adjust for 1998 floodwalls	7,141,590	-	-	768,960
Accrued interest on Capital Appreciation Bonds	-	-	(8,143,021)	-
Reclass internal service funds activities	4,927,962	(4,178,555)	-	-
Net assets, as restated	<u>\$ 177,861,293</u>	<u>\$ 363,012,068</u>	<u>\$ 33,645,037</u>	<u>\$ 3,376,193</u>

**City of Grand Rapids, Michigan**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual**  
**General Fund**  
*for the year ended June 30, 2004*

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 11,310,478	\$ 11,579,453	\$ 11,552,455	\$ (26,998)
City income taxes	50,660,098	50,198,068	49,921,026	(277,042)
State shared taxes	25,999,333	24,092,909	24,080,044	(12,865)
Licenses and permits	239,050	269,050	295,980	36,930
Fines and forfeitures	2,850,000	3,072,500	3,263,825	191,325
Federal grants	3,236,531	2,278,001	2,188,087	(89,914)
State grants	1,180,495	622,292	321,730	(300,562)
Other agencies grants	240,051	141,780	278,031	136,251
Charges for services	14,873,209	16,193,693	19,737,438	3,543,545
Investment earnings	753,342	735,228	855,300	120,072
Miscellaneous	<u>870,893</u>	<u>1,168,886</u>	<u>1,188,259</u>	<u>(627)</u>
Total revenues	<u>112,213,480</u>	<u>110,362,060</u>	<u>113,682,175</u>	<u>3,320,115</u>
Expenditures:				
Current:				
General government	19,652,624	19,273,454	18,616,815	656,639
Public safety	77,138,153	75,124,047	75,671,691	(547,644)
Public works	4,888,989	4,714,931	4,593,471	121,460
Culture and recreation	8,114,267	8,005,174	8,716,715	(711,541)
Urban and community development	6,767,336	6,232,651	5,787,614	445,037
Debt service:				
Principal	544,356	544,356	544,356	-
Interest and paying agent fees	<u>104,332</u>	<u>104,332</u>	<u>104,672</u>	<u>(340)</u>
Total expenditures	<u>117,210,057</u>	<u>113,998,945</u>	<u>114,035,334</u>	<u>(36,389)</u>
Excess (deficit) of revenues over expenditures	<u>(4,996,577)</u>	<u>(3,636,885)</u>	<u>(353,159)</u>	<u>3,283,726</u>
Other financing sources (uses):				
Transfers in	4,448,383	4,738,113	4,470,975	(267,138)
Transfers out	<u>(8,130,140)</u>	<u>(8,824,541)</u>	<u>(8,272,995)</u>	<u>551,546</u>
Total other financing sources (uses)	<u>(3,681,757)</u>	<u>(4,086,428)</u>	<u>(3,802,020)</u>	<u>284,408</u>
Net change in fund balances	<u>(8,678,334)</u>	<u>(7,723,313)</u>	<u>(4,155,179)</u>	<u>3,568,134</u>
Fund balances, beginning	<u>19,588,252</u>	<u>19,588,252</u>	<u>19,588,252</u>	<u>-</u>
Fund balances, ending	<u>\$ 10,909,918</u>	<u>\$ 11,864,939</u>	<u>\$ 15,433,073</u>	<u>\$ 3,568,134</u>

Note: Both budgets and actual figures are prepared in accordance with generally accepted accounting principles.

**City of Grand Rapids, Michigan**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual**  
**Public Library**  
*for the year ended June 30, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Property taxes	\$ 9,549,222	\$ 9,549,222	\$ 9,240,628	\$ (308,594)
Fines and forfeitures	120,000	120,000	195,462	75,462
Federal grants	-	-	64,800	64,800
State grants	863,897	863,897	198,048	(665,849)
Other agencies grants	-	-	436,530	436,530
Charges for services	154,020	154,020	184,954	30,934
Investment earnings	110,000	110,000	94,933	(15,067)
Miscellaneous	2,000	2,000	-	(2,000)
Total revenues	10,799,139	10,799,139	10,415,355	(383,784)
Expenditures:				
Current:				
Culture and recreation	7,510,701	7,510,701	7,756,878	(246,177)
Capital outlay:	1,510,518	1,510,518	1,143,943	366,575
Total expenditures	9,021,219	9,021,219	8,900,821	120,398
Excess (deficit) of revenues over expenditures	1,777,920	1,777,920	1,514,534	(263,386)
Other financing sources (uses):				
Transfers in	-	-	80,424	80,424
Transfers out	(1,818,422)	(1,818,422)	(1,711,772)	106,650
Total other financing sources (uses)	(1,818,422)	(1,818,422)	(1,631,348)	187,074
Net change in fund balances	(40,502)	(40,502)	(116,814)	(76,312)
Fund balances, beginning	2,282,280	2,282,280	2,282,280	-
Fund balances, ending	\$ 2,241,778	\$ 2,241,778	\$ 2,165,466	\$ (76,312)

Note: Both budgets and actual figures are prepared in accordance with generally accepted accounting principles.

**City of Grand Rapids, Michigan**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual**  
**Museum**  
*for the year ended June 30, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Federal grants	-	-	71,920	71,920
State grants	132,136	132,136	177,546	45,410
Charges for services	770,852	770,852	1,560,417	789,565
Investment earnings	-	-	2,516	2,516
Miscellaneous	366,235	366,235	1,459,143	1,092,908
Total revenues	<u>1,269,223</u>	<u>1,269,223</u>	<u>3,271,542</u>	<u>2,002,319</u>
Expenditures:				
Current:				
Culture and recreation	<u>3,533,642</u>	<u>3,533,642</u>	<u>6,206,421</u>	<u>(2,672,779)</u>
Total expenditures	<u>3,533,642</u>	<u>3,533,642</u>	<u>6,206,421</u>	<u>(2,672,779)</u>
Excess (deficit) of revenues over expenditures	<u>(2,264,419)</u>	<u>(2,264,419)</u>	<u>(2,934,879)</u>	<u>(670,460)</u>
Other financing sources (uses):				
Transfers in	2,314,135	2,314,135	2,034,370	(279,765)
Transfers out	<u>(49,716)</u>	<u>(49,716)</u>	<u>(49,716)</u>	-
Total other financing sources (uses)	<u>2,264,419</u>	<u>2,264,419</u>	<u>1,984,654</u>	<u>(279,765)</u>
Net change in fund balances	-	-	(950,225)	(950,225)
Fund balances, beginning	<u>721,532</u>	<u>721,532</u>	<u>721,532</u>	-
Fund balances (deficit), ending	<u>\$ 721,532</u>	<u>\$ 721,532</u>	<u>\$ (228,693)</u>	<u>\$ (950,225)</u>

Note: Both budgeted and actual figures are prepared in accordance with generally accepted accounting principles.

**City of Grand Rapids, Michigan**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual**  
**Refuse**  
*for the year ended June 30, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:				
Property taxes	\$ 4,908,500	\$ 4,908,500	\$ 4,940,763	\$ 32,263
Charges for services	3,915,760	3,915,760	4,315,091	399,331
Investment earnings	90,000	90,000	94,077	4,077
Total revenues	<u>8,914,260</u>	<u>8,914,260</u>	<u>9,349,931</u>	<u>435,671</u>
Expenditures:				
Current:				
Public works	10,500,529	10,500,529	10,417,316	83,213
Capital outlay:	<u>339,564</u>	<u>700,944</u>	<u>231,204</u>	<u>469,740</u>
Total expenditures	<u>10,840,093</u>	<u>11,201,473</u>	<u>10,648,520</u>	<u>552,953</u>
Excess (deficit) of revenues over expenditures	<u>(1,925,833)</u>	<u>(2,287,213)</u>	<u>(1,298,589)</u>	<u>988,624</u>
Other financing sources (uses):				
Transfers out	<u>(243,497)</u>	<u>(243,497)</u>	<u>(243,497)</u>	<u>-</u>
Total other financing sources (uses)	<u>(243,497)</u>	<u>(243,497)</u>	<u>(243,497)</u>	<u>-</u>
Net change in fund balances	<u>(2,169,330)</u>	<u>(2,530,710)</u>	<u>(1,542,086)</u>	<u>988,624</u>
Fund balances, beginning	<u>4,062,210</u>	<u>4,062,210</u>	<u>4,062,210</u>	<u>-</u>
Fund balances, ending	<u>\$ 1,892,880</u>	<u>\$ 1,531,500</u>	<u>\$ 2,520,124</u>	<u>\$ 988,624</u>

Note: Both budgeted and actual figures are prepared in accordance with generally accepted accounting principles.

**City of Grand Rapids, Michigan**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual**  
**Streets**

for the year ended June 30, 2004

	Major Streets				Local Streets			
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
Revenues:								
State shared taxes	\$ 10,140,000	\$ 10,140,000	\$ 11,000,645	\$ 860,645	\$ 2,860,000	\$ 2,860,000	\$ 3,036,114	\$ 176,114
Charges for services	2,000,250	2,000,250	2,200,365	200,115	406,000	406,000	19,905	(386,095)
Investment earnings	290,000	290,000	256,794	(33,206)	10,000	10,000	1,437	(8,563)
Miscellaneous	153,000	153,000	210,272	57,272	10,000	10,000	5,052	(4,948)
Total revenues	12,583,250	12,583,250	13,668,076	1,084,826	3,286,000	3,286,000	3,062,508	(223,492)
Expenditures:								
Current:								
Public works	7,967,123	8,026,578	7,641,336	385,242	5,095,127	5,304,120	4,779,905	524,215
Debt service:								
Principal	-	-	163,699	(163,699)	-	-	-	-
Interest and paying agent fees	-	-	68,716	(68,716)	-	-	-	-
Total expenditures	7,967,123	8,026,578	7,873,751	152,827	5,095,127	5,304,120	4,779,905	524,215
Excess (deficit) of revenues over expenditures	4,616,127	4,556,672	5,794,325	1,237,653	(1,809,127)	(2,018,120)	(1,717,397)	300,723
Other financing sources (uses):								
Transfers in	(1,300,000)	(1,300,000)	-	1,300,000	1,300,000	1,500,000	1,500,000	-
Transfers out	(3,716,201)	(3,916,201)	(5,010,893)	(1,094,692)	(139,977)	(139,977)	(139,977)	-
Total other financing sources (uses)	(5,016,201)	(5,216,201)	(5,010,893)	205,308	1,160,023	1,360,023	1,360,023	-
Net change in fund balances	(400,074)	(659,529)	783,432	1,442,961	(649,104)	(658,097)	(357,374)	300,723
Fund balances, beginning	3,582,673	3,582,673	3,582,673	-	681,322	681,322	681,322	-
Fund balances, ending	\$ 3,182,599	\$ 2,923,144	\$ 4,366,105	\$ 1,442,961	\$ 32,218	\$ 23,225	\$ 323,948	\$ 300,723

Note: Both budgets and actual figures are prepared in accordance with generally accepted accounting principles.

**City of Grand Rapids, Michigan**  
**Budgetary Comparison Schedule**  
**Expenditures General Operating Fund**  
*for the year ended June 30, 2004*

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive (Negative)
<b>General Government - Fiscal and Administrative:</b>				
<b>Executive Offices:</b>				
Personal services	\$ 1,128,012	\$ 984,495	\$ 1,117,867	\$ (133,372)
Supplies	44,000	20,776	19,893	883
Services and charges	446,231	575,705	399,204	176,500
Capital Outlay	1,000	2,674	2,174	500
	<u>1,619,243</u>	<u>1,583,650</u>	<u>1,539,138</u>	<u>44,512</u>
<b>Human Resources:</b>				
Personal services	2,138,590	2,049,777	2,012,991	36,786
Supplies	70,823	66,653	56,176	10,477
Services and charges	810,343	787,922	757,782	30,140
	<u>3,019,756</u>	<u>2,904,352</u>	<u>2,826,949</u>	<u>77,403</u>
<b>Comptroller:</b>				
Personal services	1,344,575	1,307,260	1,299,180	8,080
Supplies	33,992	29,030	39,146	(10,116)
Services and charges	1,219,413	1,194,001	1,183,742	10,259
	<u>2,597,980</u>	<u>2,530,291</u>	<u>2,522,068</u>	<u>8,223</u>
<b>Treasurer:</b>				
Personal services	971,809	994,337	993,406	931
Supplies	55,600	63,600	71,157	(7,557)
Services and charges	408,186	358,432	349,773	8,659
Capital Outlay	700	-	-	-
	<u>1,436,295</u>	<u>1,416,369</u>	<u>1,414,336</u>	<u>2,033</u>
<b>Assessor:</b>				
Personal services	1,577,071	1,387,015	1,288,755	98,261
Supplies	44,342	44,342	41,691	2,651
Services and charges	454,274	506,125	380,655	125,470
Capital Outlay	17,000	-	-	-
	<u>2,092,687</u>	<u>1,937,482</u>	<u>1,711,100</u>	<u>226,382</u>

continued

continued



**City of Grand Rapids, Michigan**  
**Budgetary Comparison Schedule**  
**Expenditures General Operating Fund**  
*for the year ended June 30, 2004*

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Fiscal services:				
Personal services	\$ 892,052	\$ 793,461	\$ 790,618	\$ 2,843
Supplies	24,079	23,871	20,898	2,973
Services and charges	308,834	739,353	693,703	45,650
Capital Outlay	1,000	1,000	-	1,000
	<u>1,225,965</u>	<u>1,557,685</u>	<u>1,505,219</u>	<u>52,466</u>
Income tax:				
Personal services	1,204,923	1,202,792	1,198,146	4,646
Supplies	161,388	157,888	154,077	3,811
Services and charges	231,904	229,080	221,372	7,708
	<u>1,598,215</u>	<u>1,589,760</u>	<u>1,573,595</u>	<u>16,165</u>
Attorney:				
Personal services	1,826,136	1,757,461	1,831,528	(74,067)
Supplies	89,200	89,200	68,205	20,995
Services and charges	516,520	464,020	407,740	56,280
	<u>2,431,856</u>	<u>2,310,681</u>	<u>2,307,474</u>	<u>3,207</u>
Clerk:				
Personal services	1,099,240	1,054,703	1,067,461	(12,758)
Supplies	69,050	58,462	58,708	(246)
Services and charges	337,619	332,508	331,707	801
	<u>1,505,909</u>	<u>1,445,673</u>	<u>1,457,876</u>	<u>(12,203)</u>
Management Services:				
Personal services	52,304	228,907	92,394	136,513
Supplies	12,115	6,051	5,229	822
Services and charges	100,333	141,077	126,719	14,358
Capital Outlay	1,000	360	360	-
	<u>165,752</u>	<u>376,395</u>	<u>224,702</u>	<u>151,693</u>
<b>Total general government - fiscal and administrative</b>	<u>17,693,658</u>	<u>17,652,338</u>	<u>17,082,457</u>	<u>569,881</u>

continued

**City of Grand Rapids, Michigan**  
**Budgetary Comparison Schedule**  
**Expenditures General Operating Fund**  
*for the year ended June 30, 2004*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final	Amounts	Positive (Negative)
<b>General purpose:</b>				
General administration:				
Personal services	\$ 119,276	\$ 158,722	\$ 114,365	\$ 44,357
Supplies	19,500	19,500	18,161	1,339
Services and charges	1,820,190	1,442,894	1,401,832	41,062
<b>Total general purpose</b>	<b>1,958,966</b>	<b>1,621,116</b>	<b>1,534,358</b>	<b>86,758</b>
<b>Total General Government</b>	<b>19,652,624</b>	<b>19,273,454</b>	<b>18,616,815</b>	<b>656,639</b>
<b>Public safety:</b>				
District court:				
Personal services	5,107,581	4,954,912	5,875,608	(920,696)
Supplies	311,203	335,238	314,027	21,211
Services and charges	3,327,458	3,250,521	2,616,779	633,742
Capital Outlay	18,000	12,189	11,656	513
	8,764,243	8,552,840	8,818,071	(265,231) *
Police:				
Personal services	33,003,750	32,672,634	33,100,259	(427,625)
Supplies	732,364	547,331	519,780	27,551
Services and charges	9,259,590	8,141,434	7,296,414	845,020
Capital Outlay	20,000	-	-	-
	43,015,704	41,361,399	40,916,453	444,946
Fire:				
Personal services	20,082,492	19,786,696	20,308,378	(521,682)
Supplies	227,500	245,236	306,011	(60,775)
Services and charges	1,336,405	1,675,103	1,591,294	83,809
Capital Outlay	341,398	284,629	218,705	65,924
	21,987,795	21,991,664	22,424,388	(432,724) *

continued

\* continued

**City of Grand Rapids, Michigan**  
**Budgetary Comparison Schedule**  
**Expenditures General Operating Fund**  
*for the year ended June 30, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
<b>Traffic Safety:</b>				
Personal services	\$ 1,225,453	\$ 1,155,349	\$ 1,155,139	\$ 210
Supplies	302,647	302,639	415,629	(112,990)
Services and charges	1,833,311	1,751,156	1,942,010	(190,854)
Capital Outlay	9,000	9,000	-	9,000
	<u>3,370,411</u>	<u>3,218,144</u>	<u>3,512,778</u>	<u>(294,634) *</u>
<b>Total public safety</b>	<u>77,138,153</u>	<u>75,124,047</u>	<u>75,671,691</u>	<u>(547,644)</u>
<b>Public works:</b>				
City engineer:				
Personal services	2,992,854	3,004,737	2,939,995	64,742
Supplies	93,623	71,500	73,092	(1,592)
Services and charges	486,940	473,118	459,380	13,738
Capital Outlay	5,000	20,925	19,402	1,523
	<u>3,578,417</u>	<u>3,570,280</u>	<u>3,491,868</u>	<u>78,412</u>
<b>Air pollution/stormwater management:</b>				
Personal services	375,609	352,870	358,956	(6,086)
Supplies	4,500	4,139	2,796	1,343
Services and charges	286,063	152,394	135,392	17,002
Capital Outlay	4,750	4,748	3,884	864
	<u>670,922</u>	<u>514,151</u>	<u>501,029</u>	<u>13,122</u>
<b>Parking/government center ramp:</b>				
Services and charges	<u>639,650</u>	<u>630,500</u>	<u>600,574</u>	<u>29,926</u>
	<u>639,650</u>	<u>630,500</u>	<u>600,574</u>	<u>29,926</u>
<b>Total public works</b>	<u>4,888,989</u>	<u>4,714,931</u>	<u>4,593,471</u>	<u>121,460</u>
<b>Recreation and culture:</b>				
<b>Parks and recreation:</b>				
Personal services	5,886,679	5,664,230	6,374,697	(710,467)
Supplies	737,211	753,519	914,542	(161,023)
Services and charges	1,469,027	1,522,346	1,356,104	166,242
Capital Outlay	21,350	65,079	71,372	(6,293)
<b>Total recreation and culture</b>	<u>8,114,267</u>	<u>8,005,174</u>	<u>8,716,715</u>	<u>(711,541) *</u>

continued

**City of Grand Rapids, Michigan**  
**Budgetary Comparison Schedule**  
**Expenditures General Operating Fund**  
*for the year ended June 30, 2004*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
<b>Urban development:</b>				
Planning:				
Personal services	\$ 1,806,832	\$ 1,739,050	\$ 1,729,692	\$ 9,358
Supplies	42,500	30,750	31,124	(374)
Services and charges	515,495	396,832	336,250	60,582
	<u>2,364,827</u>	<u>2,166,632</u>	<u>2,097,066</u>	<u>69,566</u>
Neighborhood Improvement:				
Personal services	2,023,712	1,839,522	1,714,070	125,452
Supplies	77,485	84,833	63,162	21,671
Services and charges	523,299	533,937	479,487	54,450
Capital Outlay	-	80	80	-
	<u>2,624,496</u>	<u>2,458,372</u>	<u>2,256,799</u>	<u>201,573</u>
Community Development:				
Personal services	1,063,921	890,960	829,626	61,334
Supplies	18,400	19,193	34,194	(15,001)
Services and charges	695,692	682,793	554,156	128,637
Capital Outlay	-	14,701	15,772	(1,071)
	<u>1,778,013</u>	<u>1,607,647</u>	<u>1,433,748</u>	<u>173,899</u>
<b>Total urban development</b>	<u>6,767,336</u>	<u>6,232,651</u>	<u>5,787,614</u>	<u>445,037</u>
<b>Debt Service</b>				
Principal	544,356	544,356	544,356	-
Interest	104,332	104,332	104,672	(340)
<b>Total debt service</b>	<u>648,688</u>	<u>648,688</u>	<u>649,028</u>	<u>(340)</u>
<b>Total expenditures</b>	<u>\$ 117,210,057</u>	<u>\$ 113,998,945</u>	<u>\$ 114,035,334</u>	<u>\$ (36,389)</u>

\* The legal level of budgetary control is the department level. These departments had expenditures in excess of appropriations.

City of Grand Rapids, Michigan  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2004

	Special Revenue Funds							Budget Stabilization
	Grants	Michigan Justice Training	Vehicle Storage Facility	Neighborhood Business Improvement	Building Inspections	DNR Properties	Sidewalk Repair	
<b>ASSETS</b>								
Equity in pooled cash and investments	\$ 457,727	\$ 124,222	\$ 286,555	\$ 719,052	\$ 39,799	\$ 244,395	\$ 521,234	\$ 1,790,875
Receivables, net	8,386,707	1,495	-	578	-	-	131,819	-
Inventories	-	-	-	-	-	-	-	-
Due from other governmental units	15,519	-	-	-	-	-	-	-
Total assets	<u>\$ 8,859,953</u>	<u>\$ 125,717</u>	<u>\$ 286,555</u>	<u>\$ 719,630</u>	<u>\$ 39,799</u>	<u>\$ 244,395</u>	<u>\$ 653,053</u>	<u>\$ 1,790,875</u>
<b>LIABILITIES AND FUND BALANCES</b>								
<b>Liabilities</b>								
Vouchers and accounts payable	\$ 147,955	\$ 148	\$ 91,312	\$ 21,188	\$ 5,345	\$ 12,347	\$ 43,388	\$ -
Due to other funds	-	-	-	-	-	-	-	-
Total liabilities	<u>147,955</u>	<u>148</u>	<u>91,312</u>	<u>21,188</u>	<u>5,345</u>	<u>12,347</u>	<u>43,388</u>	<u>-</u>
<b>Fund balances:</b>								
Reserved for:								
Perpetual Care	-	-	-	-	-	-	-	-
Trust Principal	-	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-	-
Noncurrent portion of loans	6,027,514	-	-	-	-	-	-	-
Encumbrances	-	-	877	-	45,499	-	-	-
Unreserved:								
Debt service	-	-	-	-	-	-	-	-
Designated for compensated absences	12,282	-	18,026	-	-	8,119	23,890	-
Designated for ensuing year budget	-	-	148,839	210,500	-	86,748	157,302	146,550
Undesignated	<u>2,672,202</u>	<u>125,569</u>	<u>27,501</u>	<u>487,942</u>	<u>(11,045)</u>	<u>137,181</u>	<u>428,473</u>	<u>1,644,325</u>
Total fund balances	<u>8,711,998</u>	<u>125,569</u>	<u>195,243</u>	<u>698,442</u>	<u>34,454</u>	<u>232,048</u>	<u>609,685</u>	<u>1,790,875</u>
Total liabilities and fund balances	<u>\$ 8,859,953</u>	<u>\$ 125,717</u>	<u>\$ 286,555</u>	<u>\$ 719,630</u>	<u>\$ 39,799</u>	<u>\$ 244,395</u>	<u>\$ 653,053</u>	<u>\$ 1,790,875</u>

City of Grand Rapids, Michigan  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2004

	Special Revenue Funds				Debt Service Funds	Permanent Fund	Total Nonmajor Governmental Funds
	Drug Law Enforcement	General Special Revenue	Economic Development	Downtown Improvement District	Grand Rapids Building Authority	Cemeteries Perpetual Care	
<b>ASSETS</b>							
Equity in pooled cash and investments	\$ 1,651,918	\$ 177,421	\$ 780,236	\$ 153,077	\$ 2,086,714	\$ 3,232,047	\$ 12,265,272
Receivables, net	-	53	1,304	-	-	37,765	8,559,721
Inventories	-	-	-	-	-	20,912	20,912
Due from other governmental units	-	-	-	-	-	-	15,519
<b>Total assets</b>	<b>\$ 1,651,918</b>	<b>\$ 177,474</b>	<b>\$ 781,540</b>	<b>\$ 153,077</b>	<b>\$ 2,086,714</b>	<b>\$ 3,290,724</b>	<b>\$ 20,861,424</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Vouchers and accounts payable	\$ 156,798	\$ 1,850	\$ 517	\$ 77,014	\$ -	\$ -	\$ 557,862
Due to other funds	-	-	-	-	1,475,720	-	1,475,720
<b>Total liabilities</b>	<b>156,798</b>	<b>1,850</b>	<b>517</b>	<b>77,014</b>	<b>1,475,720</b>	<b>-</b>	<b>2,033,582</b>
<b>Fund balances:</b>							
<b>Reserved for:</b>							
Perpetual Care	-	-	-	-	-	3,269,812	3,269,812
Trust Principal	-	25,000	-	-	-	-	25,000
Inventories	-	-	-	-	-	20,912	20,912
Noncurrent portion of loans	-	-	-	-	-	-	6,027,514
Encumbrances	-	-	-	-	-	-	48,376
<b>Unreserved:</b>							
Debt service	-	-	-	-	610,994	-	610,994
Designated for compensated absences	16,887	-	14,791	-	-	-	93,995
Designated for ensuing year budget	52,609	-	-	-	-	-	802,548
Undesignated	1,425,624	150,624	766,232	76,063	-	-	7,930,691
<b>Total fund balances</b>	<b>1,495,120</b>	<b>175,624</b>	<b>781,023</b>	<b>76,063</b>	<b>610,994</b>	<b>3,290,724</b>	<b>18,627,842</b>
<b>Total liabilities and fund balances</b>	<b>\$ 1,651,918</b>	<b>\$ 177,474</b>	<b>\$ 781,540</b>	<b>\$ 153,077</b>	<b>\$ 2,086,714</b>	<b>\$ 3,290,724</b>	<b>\$ 20,861,424</b>

City of Grand Rapids, Michigan  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds

for the year ended June 30, 2004

	Special Revenue Funds							
	Michigan Justice Grants	Vehicle Storage Facility	Neighborhood Business Improvement	Building Inspections	DNR Properties	Sidewalk Repair	Budget Stabilization	Drug Law Enforcement
Revenues:								
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	1,814,601	-	-	-	-
Fines and forfeitures	-	-	-	-	-	-	-	686,100
Federal grants	6,929,219	-	-	-	-	-	-	-
State grants	-	79,531	-	-	-	-	-	-
Other agencies grants	441,634	-	-	-	-	-	-	5,999
Charges for services	1,751	-	727,459	5,818	-	1,331,286	-	-
Investment Earnings	63,177	1,179	256	11,488	4,619	2,840	5,927	23,203
Miscellaneous	358,950	-	-	110,883	-	173,669	-	-
Total revenues	7,794,731	80,710	727,715	1,825,038	176,509	1,337,213	-	715,202
Expenditures:								
Current:								
Public safety	-	29,152	-	-	-	-	-	546,487
Public works	-	-	831,470	-	-	1,493,077	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Urban and community development	8,148,770	-	-	214,375	2,272,590	185,219	-	-
Debt service:								
Principal	10,284	-	-	-	-	-	-	-
Interest and paying agent fees	-	-	-	-	-	-	-	-
Total expenditures	8,159,054	29,152	831,470	214,375	2,272,590	185,219	-	546,487
Excess (deficiency) of revenues over expenditures	(364,323)	51,558	(103,755)	(92,004)	(447,552)	(8,710)	(155,864)	168,715
Other financing sources (uses):								
Transfers in	44,785	-	485,857	-	143,722	52,080	-	-
Transfers out	(8,573)	-	(33,849)	-	(237,962)	-	(19,818)	-
Total other financing sources (uses)	36,212	-	452,008	-	(94,240)	62,080	(19,818)	-
Net change in fund balances	(328,211)	51,558	348,253	(92,004)	(541,792)	43,370	(175,880)	168,715
Fund balances (deficits), beginning	9,040,209	74,011	(153,010)	790,448	578,248	188,678	785,345	1,326,405
Fund balances, ending	\$ 8,711,998	\$ 125,569	\$ 195,243	\$ 698,444	\$ 34,456	\$ 232,048	\$ 609,465	\$ 1,495,120

**City of Grand Rapids, Michigan  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds**

for the year ended June 30, 2004

	Special Revenue Funds			Debt Service Funds		Permanent Fund	Total Nonmajor Governmental Funds
	General Special Revenue	Economic Development	Downtown Improvement District	Grand Rapids Building Authority	Public Act 175	Cemeteries Perpetual Care	
Revenues:							
Property taxes	\$ -	\$ -	\$ 465,342	\$ -	\$ -	\$ -	\$ 465,342
Licenses and permits	-	-	-	-	-	-	1,814,501
Fines and forfeitures	-	-	-	-	-	-	586,100
Federal grants	-	-	-	-	-	-	6,929,219
State grants	-	-	-	-	-	-	79,531
Other agencies grants	-	-	-	-	-	-	447,533
Charges for services	34,730	20,650	129,604	444,565	-	52,314	2,748,177
Investment Earnings	2,466	11,380	4,717	12,810	-	61,493	205,555
Miscellaneous	-	-	-	-	-	-	543,502
Total revenues	37,196	32,030	599,663	467,375	-	113,807	14,019,560
Expenditures:							
Current:							
Public safety	-	-	-	-	-	-	575,639
Public works	-	-	-	-	-	-	2,324,547
Culture and recreation	35,849	-	-	-	-	-	35,849
Urban and community development	-	26,320	587,986	-	-	-	11,435,260
Debt service:							
Principal	-	-	-	2,463,131	580,000	-	3,083,415
Interest and paying agent fees	-	-	-	3,989,687	579,692	-	4,549,379
Total expenditures	35,849	26,320	587,986	6,432,818	1,169,692	-	21,984,089
Excess (deficiency) of revenues over expenditures	1,347	5,710	11,677	(5,975,443)	(1,169,692)	113,807	(7,964,529)
Other financing sources (uses):							
Transfers in	-	-	-	8,214,061	1,189,692	84,105	10,194,302
Transfers out	-	-	-	(1,627,624)	-	(98,859)	(2,026,783)
Total other financing sources (uses)	-	-	-	6,586,437	1,189,692	(14,754)	8,167,519
Net change in fund balances	1,347	5,710	11,677	510,994	-	99,053	202,990
Fund balances (deficits), beginning	174,277	775,313	84,386	-	-	3,191,671	18,524,852
Fund balances, ending	\$ 175,624	\$ 781,023	\$ 76,063	\$ 510,994	\$ -	\$ 3,290,724	\$ 18,827,842



**City of Grand Rapids**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances- Budget to Actual**  
**Non-major Governmental Funds**  
**for the fiscal year ended June 30,2004**

	Budget				Actual				Net Variance
	Revenues	Expenditures	Net Transfers	Net	Revenues	Expenditures	Net Transfers	Net	
Grants	\$ 14,884,973	\$ 15,230,542	\$ 71,271	\$ (274,298)	\$ 7,794,731	\$ 8,159,054	\$ 36,112	\$ (328,211)	\$ (53,913)
Michigan Justice Training	86,400	85,000	-	1,400	80,710	29,152	-	51,558	50,158
Vehicle Storage Facility	1,093,410	1,378,143	452,008	167,275	727,715	831,470	452,008	348,253	180,978
Neighborhood Business Improvement	132,000	253,000	-	(121,000)	122,371	214,375	-	(92,004)	28,996
Building Inspections	2,242,150	2,259,522	94,240	76,868	1,825,038	2,272,590	(94,240)	(541,792)	(618,660)
DNR Properties	88,400	196,354	85,500	(22,454)	176,509	185,219	52,080	43,370	65,824
Sidewalk Repair	1,230,000	1,315,726	(19,816)	(105,542)	1,337,213	1,493,077	(19,816)	(175,680)	(70,138)
Drug Law Enforcement	326,000	453,781	-	(127,781)	715,202	546,487	-	168,715	296,496
General Special Revenue	-	-	-	-	37,196	35,849	-	1,347	1,347
Economic Development	-	-	-	-	32,030	26,320	-	5,710	5,710
Downtown Improvement District	612,000	647,815	-	(35,815)	599,663	587,986	-	11,677	47,492
Total	\$ 20,695,333	\$ 21,819,883	\$ 683,203	\$ 43,198,419	\$ 13,448,378	\$ 14,381,579	\$ 426,144	\$ (507,057)	\$ (85,710)

Note: Both budgeted and actual figures are prepared in conformity with generally accepted accounting principals.

**City of Grand Rapids, Michigan**  
**Combining Statement of Net Assets**  
**Nonmajor Enterprise Funds**  
*June 30, 2004*

	<b>Cemeteries Operating</b>	<b>Belknap Ice Arena</b>	<b>Total Nonmajor Enterprise Funds</b>
<b>ASSETS</b>			
Current assets:			
Equity in pooled cash and investments	\$ 269,674	\$ 586,689	\$ 856,363
Receivables, net	35,187	26,678	61,865
Total current assets	304,861	613,367	918,228
Noncurrent assets:			
Other assets	237,642	-	237,642
Capital assets:			
Non-depreciable	5,255	-	5,255
Depreciable	1,308,363	3,680,719	4,989,082
Less accumulated depreciation	(853,527)	(1,361,257)	(2,214,784)
Total noncurrent assets	697,733	2,319,462	3,017,195
Total assets	\$ 1,002,594	\$ 2,932,829	\$ 3,935,423
<b>LIABILITIES</b>			
Current liabilities:			
Vouchers and accounts payable	\$ 5,562	\$ 79,753	\$ 85,315
Accrued interest payable	-	3,864	3,864
Notes payable, due within 1 year	-	80,500	80,500
Accrual for compensated absences	42,827	-	42,827
Total current liabilities	48,389	164,117	212,506
Noncurrent liabilities (net of portion due within 1 year):			
Contracts and notes payable	-	1,170,500	1,170,500
Total noncurrent liabilities	-	1,170,500	1,170,500
Total liabilities	48,389	1,334,617	1,383,006
<b>NET ASSETS</b>			
Invested in capital assets net of related debt	460,091	1,068,462	1,528,553
Unrestricted	494,114	529,750	1,023,864
Total net assets	954,205	1,598,212	2,552,417
Total liabilities and net assets	\$ 1,002,594	\$ 2,932,829	\$ 3,935,423

**City of Grand Rapids, Michigan**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**Nonmajor Enterprise Funds**  
*for the year ended June 30, 2004*

	<b>Cemeteries Operating</b>	<b>Belknap Ice Arena</b>	<b>Total Nonmajor Enterprise Funds</b>
Operating revenues:			
Charges for services	\$ 438,987	\$ 852,349	\$ 1,291,336
Sales	<u>148,734</u>	<u>129,689</u>	<u>278,423</u>
Total operating revenues	<u>587,721</u>	<u>982,038</u>	<u>1,569,759</u>
Operating expenses:			
Personal services	673,823	245,473	919,296
Supplies and materials	57,044	105,609	162,653
Utilities	40,259	81,061	121,320
Contractual services	16,668	179,256	195,924
Other services and charges	143,343	37,313	180,656
Depreciation	<u>53,883</u>	<u>163,340</u>	<u>217,223</u>
Total operating expenses	<u>985,020</u>	<u>812,052</u>	<u>1,797,072</u>
Operating income (loss)	<u>(397,299)</u>	<u>169,986</u>	<u>(227,313)</u>
Nonoperating revenues (expenses):			
Interest revenue	1,532	4,706	6,238
Interest expense and paying agent fees	<u>-</u>	<u>(48,011)</u>	<u>(48,011)</u>
Total nonoperating revenues (expenses)	<u>1,532</u>	<u>(43,305)</u>	<u>(41,773)</u>
Income (loss) before transfers	(395,767)	126,681	(269,086)
Transfers in	588,696	-	588,696
Transfers out	<u>(159,279)</u>	<u>(14,692)</u>	<u>(173,971)</u>
Change in net assets	33,650	111,989	145,639
Total net assets - beginning	<u>920,555</u>	<u>1,486,223</u>	<u>2,406,778</u>
Total net assets - ending	<u>\$ 954,205</u>	<u>\$ 1,598,212</u>	<u>\$ 2,552,417</u>

**City of Grand Rapids, Michigan**  
**Combining Statement of Cash Flows**  
**Nonmajor Enterprise Funds**  
*for the year ended June 30, 2004*

	<b>Cemeteries Operating</b>	<b>Belknap Ice Arena</b>	<b>Total Nonmajor Enterprise Funds</b>
Cash flows from operating activities:			
Receipts from customers	\$ 629,840	\$ 1,032,932	\$ 1,662,772
Payments to suppliers	(263,411)	(448,927)	(712,338)
Payments to employees	(499,355)	(204,477)	(703,832)
Payments for payroll taxes and benefits	(172,187)	(40,996)	(213,183)
Net cash provided (used) by operating activities	<u>(305,113)</u>	<u>338,532</u>	<u>33,419</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	588,696	-	588,696
Transfers to other funds	(159,279)	(14,692)	(173,971)
Net cash provided (used) by noncapital financing activities	<u>429,417</u>	<u>(14,692)</u>	<u>414,725</u>
Cash flows from capital and related financing activities:			
Principal paid on capital debt	-	(80,250)	(80,250)
Interest paid on capital debt	-	(48,145)	(48,145)
Net cash used by capital and related financing activities	<u>-</u>	<u>(128,395)</u>	<u>(128,395)</u>
Cash flows from investing activities:			
Interest received	<u>1,532</u>	<u>4,537</u>	<u>6,069</u>
Net increase in equity in pooled cash and investments	125,836	199,982	325,818
Equity in pooled cash and investments, beginning	143,838	386,707	530,545
Equity in pooled cash and investments, ending	<u>269,674</u>	<u>586,689</u>	<u>856,363</u>
<b>Reconciliation of operating loss to net cash provided (used) by operating activities:</b>			
Operating income/ (Loss)	(397,299)	169,986	(227,313)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	53,883	163,340	217,223
Change in assets and liabilities:			
Decrease in accounts receivable	36,493	50,894	87,387
Decrease in other assets	5,627	-	5,627
(Decrease) in vouchers and accounts payable	(6,098)	(45,688)	(51,786)
Increase in compensated absences	2,281	-	2,281
Total adjustments	<u>92,186</u>	<u>168,546</u>	<u>260,732</u>
Net cash provided (used) by operating activities	<u>\$ (305,113)</u>	<u>\$ 338,532</u>	<u>\$ 33,419</u>

City of Grand Rapids, Michigan  
Combining Statement of Net Assets  
Internal Service Funds  
June 30, 2004

	Information Technology	Motor Equipment	Facilities Management	Central Stores	Insurance Payment	Total Internal Service Funds
<b>ASSETS</b>						
Current assets:						
Equity in pooled cash and investments	\$ 1,968,851	\$ 5,319,414	\$ 578,843	\$ 349,670	\$ 14,580,999	\$ 22,795,777
Funds held by trustee	-	558,587	-	-	-	558,587
Receivables, net	3,636	255,210	47,142	266	309,149	615,403
Inventory	-	490,127	-	1,654,537	-	2,144,664
Deferred expenses	-	41,663	-	-	-	41,663
Total current assets	1,970,487	6,663,001	625,985	2,004,473	14,890,148	26,154,094
Noncurrent assets:						
Capital assets:						
Non-depreciable	-	-	-	196,607	-	196,607
Depreciable	5,601,294	37,493,200	-	-	-	43,094,494
Less accumulated depreciation	(4,533,568)	(23,727,490)	-	-	-	(28,261,058)
Total noncurrent assets	1,067,726	13,765,710	-	196,607	-	15,030,043
Total assets	\$ 3,038,213	\$ 20,428,711	\$ 625,985	\$ 2,201,080	\$ 14,890,148	\$ 41,184,137
<b>LIABILITIES</b>						
Current liabilities:						
Vouchers and accounts payable	\$ 546,120	\$ 218,969	\$ 213,915	\$ 55,957	\$ 359,081	\$ 1,394,042
Accrued interest payable	-	27,662	-	-	-	27,662
Health insurance claims payable	-	-	-	-	3,068,538	3,068,538
Current portion of general claims payable	-	-	-	-	3,700,000	3,700,000
Current workers' compensation liability	-	-	-	-	165,800	165,800
Current maturities of bonds & contracts payable	-	2,191,216	-	-	-	2,191,216
Accrued compensated absences	131,448	240,108	127,280	31,077	34,210	564,123
Total current liabilities	677,568	2,877,855	341,195	87,034	7,317,629	11,101,381
Noncurrent liabilities (net of current portion):						
Premium on bonds payable	-	22,009	-	-	-	22,009
Workers compensation liability	-	-	-	-	1,084,200	1,084,200
General claims payable	-	-	-	-	300,000	300,000
Contracts and notes payable	-	6,215,895	-	-	-	6,215,895
Total noncurrent liabilities	-	6,237,904	-	-	1,384,200	7,622,104
Total liabilities	677,568	8,915,859	341,195	87,034	8,701,829	18,723,485
<b>NET ASSETS</b>						
Unrestricted net assets	2,360,645	11,512,852	284,790	2,114,046	6,188,319	22,460,652
Total liabilities and net assets	\$ 3,038,213	\$ 20,428,711	\$ 625,985	\$ 2,201,080	\$ 14,890,148	\$ 41,184,137

**City of Grand Rapids, Michigan**  
**Combining Statement of Revenues, Expenses and Changes in Net Assets**  
**Internal Service Funds**  
*for the year ended June 30, 2004*

	Information Technology	Motor Equipment	Facilities Management	Central Stores	Insurance Payment	Total Internal Service Funds
Operating revenues:						
Charges for services	\$ 7,561,495	\$ 7,663,365	\$ 4,033,527	\$ 3,302,874	\$ 27,427,654	\$ 49,988,915
Miscellaneous	8,601	142,648	253,354	86	396,719	801,408
Total operating revenues	<u>7,570,096</u>	<u>7,806,013</u>	<u>4,286,881</u>	<u>3,302,960</u>	<u>27,824,373</u>	<u>50,790,323</u>
Operating expenses:						
Personal services	781,962	2,475,141	1,132,347	217,652	439,545	5,046,647
Supplies and materials	236,914	2,087,450	455,788	2,843,387	23,241	5,646,780
Utilities	349,240	90,331	1,208,837	1,448	1,947	1,651,803
Contractual services	4,397,588	14,245	54,602	-	424,339	4,890,774
Other services and charges	1,668,523	373,857	1,137,771	82,113	26,161,348	29,423,612
Depreciation	449,721	4,223,997	-	-	-	4,673,718
Total operating expenses	<u>7,883,948</u>	<u>9,265,021</u>	<u>3,989,345</u>	<u>3,144,600</u>	<u>27,050,420</u>	<u>51,333,334</u>
Operating income (loss)	<u>(313,852)</u>	<u>(1,459,008)</u>	<u>297,536</u>	<u>158,360</u>	<u>773,953</u>	<u>(543,011)</u>
Nonoperating revenues (expenses):						
Interest revenue	30,748	139,318	2,397	803	185,425	358,691
Gain on sale of capital assets	-	182,235	-	-	-	182,235
Interest expense and paying agent fees	-	(370,616)	-	-	-	(370,616)
Total nonoperating revenues (expenses)	<u>30,748</u>	<u>(49,063)</u>	<u>2,397</u>	<u>803</u>	<u>185,425</u>	<u>170,310</u>
Income (loss) before transfers	(283,104)	(1,508,071)	299,933	159,163	959,378	(372,701)
Capital contributions	-	109,574	11,570	-	-	121,144
Transfers in	-	-	-	-	2,574,713	2,574,713
Transfers out	<u>(212,159)</u>	<u>(329,470)</u>	<u>(249,576)</u>	<u>(215,603)</u>	<u>(149,671)</u>	<u>(1,156,479)</u>
Change in net assets	(495,263)	(1,727,967)	61,927	(56,440)	3,384,420	1,166,677
Total net assets, beginning	<u>2,855,908</u>	<u>13,240,819</u>	<u>222,863</u>	<u>2,170,486</u>	<u>2,803,899</u>	<u>21,293,975</u>
Total net assets, ending	<u>\$ 2,360,645</u>	<u>\$ 11,512,852</u>	<u>\$ 284,790</u>	<u>\$ 2,114,046</u>	<u>\$ 6,188,319</u>	<u>\$ 22,460,652</u>

**City of Grand Rapids, Michigan**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
*for the year ended June 30, 2004*

	Information Technology	Motor Equipment	Facilities Management	Central Stores	Insurance Payment	Total Internal Service Funds
Cash flows from operating activities:						
Receipts from customers	\$ 7,564,488	\$ 7,439,291	\$ 3,966,608	\$ 3,303,027	\$ 27,381,977	\$ 49,655,391
Payments to suppliers	(7,201,219)	(2,466,845)	(2,797,557)	(2,669,917)	(28,769,672)	(43,905,210)
Payments to employees	(580,142)	(1,686,134)	(759,639)	(142,104)	(306,495)	(3,474,514)
Payments for payroll taxes and benefits	(205,268)	(791,317)	(390,491)	(75,911)	(164,134)	(1,627,121)
Other operating revenues	8,601	142,648	319,180	-	396,719	867,148
Net cash provided (used) by operating activities	(413,541)	2,637,643	338,101	415,096	(1,461,605)	1,515,693
Cash flows from noncapital financing activities:						
Transfers from other funds	-	-	-	-	2,574,713	2,574,713
Transfers to other funds	(212,159)	(329,470)	(249,576)	(215,603)	(149,671)	(1,156,479)
Net cash provided (used) by noncapital financing activities	(212,159)	(329,470)	(249,576)	(215,603)	2,425,042	1,418,234
Cash flows from capital and related financing activities:						
Proceeds from capital debt	-	2,033,369	-	-	-	2,033,369
Capital contributions	-	109,574	11,570	-	-	121,144
Purchase of fixed assets	(62,246)	(2,894,962)	-	-	-	(2,957,208)
Sale of fixed assets	-	370,727	-	-	-	370,727
Principal paid on capital debt	-	(2,037,273)	-	-	-	(2,037,273)
Interest paid on capital debt	-	(405,431)	-	-	-	(405,431)
Net cash used by capital and related financing activities	(62,246)	(2,823,996)	11,570	-	-	(2,874,672)
Cash flows from investing activities:						
Interest received	30,748	110,658	2,397	803	120,928	265,534
Net change in equity in pooled cash and investments	(657,198)	(405,165)	102,492	200,296	1,084,365	324,790
Equity in pooled cash and investments, beginning	2,624,049	6,281,166	476,351	149,375	13,496,634	23,027,574
Equity in pooled cash and investments, ending	\$ 1,966,851	\$ 5,876,001	\$ 578,843	\$ 349,670	\$ 14,580,999	\$ 23,352,364

**City of Grand Rapids, Michigan**  
**Combining Statement of Cash Flows**  
**Internal Service Funds**  
*for the year ended June 30, 2004*

	<u>Information Technology</u>	<u>Motor Equipment</u>	<u>Facilities Management</u>	<u>Central Stores</u>	<u>Insurance Payment</u>	<u>Total Internal Service Funds</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>						
Operating income (loss)	\$ (313,852)	\$ (1,458,008)	\$ 297,536	\$ 158,360	\$ 773,953	\$ (543,011)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation expense	449,721	4,223,997	-	-	-	4,673,718
Change in assets and liabilities:						
(Increase) decrease in accounts receivable	2,993	(224,076)	(1,094)	67	(46,156)	(268,266)
(Increase) decrease in inventory	-	(51,355)	-	293,190	-	241,835
(Increase) decrease in deferred expenses	-	-	-	-	478	478
Increase (decrease) in vouchers and accounts payable	(548,954)	150,394	59,442	(36,159)	595,735	220,458
Increase (decrease) in due to other funds	-	-	-	-	(4,533)	(4,533)
Increase (decrease) in general claims payable	-	-	-	(363)	(2,750,000)	(2,750,363)
Increase (decrease) in compensated absences and workers' compens	(3,448)	(2,309)	(17,783)	-	(31,082)	(54,622)
Total adjustments	(99,689)	4,096,651	40,565	256,736	(2,235,558)	2,058,704
Net cash provided (used) by operating activities	\$ (413,541)	\$ 2,637,643	\$ 338,101	\$ 415,096	\$ (1,461,605)	\$ 1,515,693



**City of Grand Rapids, Michigan**  
**Combining Statement of Fiduciary Net Assets**  
**Pension Trust Funds**

	<b>Police and Fire Pension System</b>	<b>General Pension System</b>	<b>Total Pension Trust Funds</b>
<i>As of :</i>	<i>December 31, 2003</i>	<i>June 30, 2004</i>	
<b>ASSETS</b>			
Investments held by trustee:			
Cash and money market funds	2,540,100	16,356,758	18,896,858
United States Government Securities	60,316,271	59,052,319	119,368,590
State and municipal bonds	3,035,394	3,927,528	6,962,922
Corporate bonds	26,548,010	29,450,593	55,998,603
Common stocks and equity mutual funds	192,293,986	194,658,545	387,152,531
Other	16,015,815	1,858,640	17,874,455
Receivables, net:			
Other accounts	266,420	558,773	825,193
Accrued interest	1,065,347	892,077	1,957,424
Total assets	<u>\$ 302,081,343</u>	<u>\$ 306,955,233</u>	<u>\$ 609,036,576</u>
<b>LIABILITIES</b>			
Compensated absences	\$ 7,980	\$ 7,849	\$ 15,829
Vouchers and accounts payable	228,144	174,264	402,408
Due to other funds	-	11,297	11,297
Total liabilities	<u>236,124</u>	<u>193,410</u>	<u>429,534</u>
<b>NET ASSETS</b>			
Held in trust for pension benefits and other purposes	<u>301,845,219</u>	<u>306,761,823</u>	<u>608,607,042</u>
Total liabilities and net assets	<u>\$ 302,081,343</u>	<u>\$ 306,955,233</u>	<u>\$ 609,036,576</u>

**City of Grand Rapids, Michigan**  
**Combining Statement of Changes in Net Assets**  
**Pension Trust Funds**

	<u>Pension Trust Funds</u>		
	<u>Police and Fire Pension System</u>	<u>General Pension System</u>	<u>Total Pension Trust Funds</u>
	<i>for the six months ended December 31, 2003</i>	<i>for the year ended June 30, 2004</i>	
<b>ADDITIONS</b>			
Plan Contributions:			
Employer	\$ 525,967	\$ 5,916,496	\$ 6,442,463
Plan members	<u>1,587,270</u>	<u>2,200,457</u>	<u>3,787,727</u>
Total contributions	<u>2,113,237</u>	<u>8,116,953</u>	<u>10,230,190</u>
Investment earnings:			
Interest and dividends	3,035,001	5,702,609	8,737,610
Net appreciation in fair value of investments	<u>32,626,461</u>	<u>40,170,717</u>	<u>72,797,178</u>
Total investment earnings	35,661,462	45,873,326	81,534,788
Less investment management expense	<u>372,801</u>	<u>1,073,303</u>	<u>1,446,104</u>
Net investment earnings	<u>35,288,661</u>	<u>44,800,023</u>	<u>80,088,684</u>
Total additions	<u>37,401,898</u>	<u>52,916,976</u>	<u>90,318,874</u>
<b>DEDUCTIONS</b>			
Benefits paid	7,584,435	14,924,627	22,509,062
Administration expenses	<u>359,069</u>	<u>380,269</u>	<u>739,338</u>
Total deductions	<u>7,943,504</u>	<u>15,304,896</u>	<u>23,248,400</u>
Change in net assets	29,458,394	37,612,080	67,070,474
Total net assets - beginning	<u>272,386,825</u>	<u>269,149,743</u>	<u>541,536,568</u>
Total net assets - ending	<u>\$ 301,845,219</u>	<u>\$ 306,761,823</u>	<u>\$ 608,607,042</u>

**City of Grand Rapids, Michigan**  
**Statement of Changes in Assets and Liabilities**  
**Agency Tax Fund**  
*for the year ended June 30, 2004*

	<u>Agency Tax Assets July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Agency Tax Assets June 30, 2004</u>
<b>Assets:</b>				
Equity in pooled cash and investments	\$ -	\$ 147,338	\$ -	\$ 147,338
Taxes receivable	<u>2,350,408</u>	<u>93,191,826</u>	<u>92,322,858</u>	<u>3,219,376</u>
<b>Total assets</b>	<u>\$ 2,350,408</u>	<u>\$ 93,339,164</u>	<u>\$ 92,322,858</u>	<u>\$ 3,366,714</u>
<b>Liabilities:</b>				
Due to other governmental units	\$ 2,341,316	\$ 94,316,224	\$ 93,305,930	\$ 3,351,610
Due to other funds	<u>7,860</u>	<u>-</u>	<u>7,860</u>	<u>-</u>
Other vouchers payable	<u>1,232</u>	<u>13,872</u>	<u>-</u>	<u>15,104</u>
<b>Total liabilities</b>	<u>\$ 2,350,408</u>	<u>\$ 94,330,096</u>	<u>\$ 93,313,790</u>	<u>\$ 3,366,714</u>

**City of Grand Rapids, Michigan**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule By Source**  
*June 30, 2004*

Governmental funds capital assets:	
Land	\$ 16,167,134
Land improvements	31,679,982
Buildings and structures	166,863,062
Machinery and equipment	18,797,012
Motor vehicles	6,025,284
Office furniture and equipment	2,760,863
Infrastructure	17,644,390
Construction in progress	<u>12,659,577</u>
Total governmental funds capital assets	<u>\$ 272,597,304</u>
Investments in governmental funds capital assets by source:	
Capital Projects Funds	\$ 51,369,413
General Fund	4,111,088
Special Revenue Funds	41,554,022
Grand Rapids Building Authority	147,525,239
Federal grants	2,414,946
State grants	882,022
Gifts and donations	5,525,948
Enterprise Funds	<u>9,214,626</u>
Total governmental funds capital assets	<u>\$ 272,597,304</u>

This schedule presents only the capital asset balances related to governmental funds.  
Accordingly, the capital assets reported in internal service funds are excluded from the above amounts.  
Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**City of Grand Rapids, Michigan**  
**Capital Assets Used In the Operation of Governmental Funds**  
**Schedule by Function and Activity**  
**June 30, 2004**

Function and Activity	Land	Land Improvements	Buildings and Structures	Machinery and Equipment	Motor Vehicles	Office Furniture and Equipment	Infrastructure	Construction in Progress	Totals
General government	\$ 896,627	\$ 3,448,890	\$ 36,642,414	\$ 3,445,991	\$ 26,526	\$ 93,944	\$ -	\$ -	\$ 44,554,392
Public safety:									
Police	1,382,456	-	21,286,528	9,868,059	774,626	119,000	-	2,308,298	35,738,967
Fire	453,690	-	6,387,502	1,535,155	5,005,345	-	-	287,903	13,669,595
Traffic	42,400	-	3,710,930	1,212,548	-	-	329,673	587,920	5,883,471
Total public safety	1,878,546	-	31,384,960	12,615,762	5,779,971	119,000	329,673	3,184,121	55,292,033
Public works:									
Public works	1,566,749	9,097,409	7,663,706	721,390	90,720	41,575	5,704,762	2,331,763	27,218,074
Street lighting	-	-	-	-	-	-	11,609,955	-	11,609,955
City/County parking facility	3,505,325	-	11,643,571	261,851	-	-	-	582,055	15,992,802
Total public works	5,072,074	9,097,409	19,307,277	983,241	90,720	41,575	17,314,717	2,913,818	54,820,831
Culture and recreation:									
Libraries	2,248,625	72,997	36,956,422	229,379	-	1,975,556	-	6,170,288	47,655,267
Museum	3,109,348	31,763	33,177,819	1,257,027	-	530,788	-	391,350	38,498,095
Parks	1,113,656	19,028,923	8,972,170	265,812	128,067	-	-	-	29,508,428
Art museum	530,000	-	420,000	-	-	-	-	-	950,000
Total culture and recreation	7,001,629	19,133,683	79,528,411	1,752,018	128,067	2,506,344	-	6,561,638	116,611,790
Urban and community development:									
Urban Development	35,393	-	-	-	-	-	-	-	35,393
Neighborhood Business Improvement	1,282,865	-	-	-	-	-	-	-	1,282,865
Total urban and community development	1,318,258	-	-	-	-	-	-	-	1,318,258
Total governmental funds capital assets	\$ 16,167,134	\$ 31,679,982	\$ 166,863,062	\$ 18,797,012	\$ 6,025,284	\$ 2,760,863	\$ 17,644,390	\$ 12,659,577	\$ 272,597,304

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

**City of Grand Rapids, Michigan**  
**Capital Assets Used in the Operation of Governmental Funds**  
**Schedule of Capital Assets Changes by Function and Activity**  
*for the year ended June 30, 2004*

Function and Activity	Governmental Funds Capital Assets July 1, 2003	Adjustments / Additions	Deductions	Governmental Funds Capital Assets June 30, 2004
General government	\$ 42,654,867	\$ 1,899,525	\$ -	\$ 44,554,392
Public safety:				
Police	35,430,753	308,216	-	35,738,969
Fire	12,957,566	712,028	-	13,669,594
Traffic	5,261,164	622,307	-	5,883,471
Total public safety	53,649,483	1,642,551	-	55,292,034
Public works:				
Public works	16,380,411	10,837,663	-	27,218,074
Street lighting	11,609,955	-	-	11,609,955
City/County parking facility	15,757,772	235,030	-	15,992,802
Total public works	43,748,138	11,072,693	-	54,820,831
Culture and recreation:				
Libraries	39,584,549	1,940,430	40,000	41,484,979
Museum	43,331,351	945,682	-	44,277,033
Parks	29,455,125	444,652	-	29,899,777
Art museum	950,000	-	-	950,000
Total culture and recreation	113,321,025	3,330,764	40,000	116,611,789
Urban and community development:				
Urban Development	1,525,901	742,468	985,504	1,282,865
Neighborhood Business Improvements	35,393	-	-	35,393
Total urban and community development	1,561,294	742,468	985,504	1,318,258
Total governmental funds capital assets	\$ 254,934,807	\$ 18,688,001	\$ 1,025,504	\$ 272,597,304

This schedule presents only the capital asset balances related to governmental funds.  
Accordingly, the capital assets reported in internal service funds are excluded from the above amounts.  
Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Table 1

**City of Grand Rapids, Michigan**  
**General Governmental Expenditures by Function (unaudited) <sup>1</sup>**  
*Last Ten Fiscal Years*

<u>Fiscal Year</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Recreation and Culture</u>	<u>Urban Development</u>	<u>Fiscal and Administrative</u>	<u>General Purpose</u>	<u>Streets</u>	<u>Debt Service</u>	<u>Total</u>
1995	\$ 45,910,667	\$ 13,960,203	\$ 11,372,018	\$ 12,660,442	\$ 11,938,132	\$ 2,705,315	\$ 12,361,950	\$ 3,204,937	\$ 114,113,664
1996	49,364,559	15,552,001	12,645,142	13,446,528	13,228,784	3,035,852	11,873,262	3,572,415	122,718,541
1997	56,655,935	12,549,038	17,314,196	13,601,208	13,642,408	3,115,827	12,194,039	3,829,823	132,902,474
1998	58,401,359	12,923,674	17,199,839	15,560,439	14,227,118	2,998,619	10,788,870	3,183,575	135,283,493
1999	62,202,119	18,237,660	17,174,698	19,290,981	15,641,475	3,153,908	11,801,067	4,413,262	151,915,170
2000	66,741,622	15,681,523	18,096,744	17,354,623	16,445,979	2,684,947	14,023,104	4,399,110	155,427,652
2001	70,949,745	16,645,419	20,900,061	14,849,086	16,455,678	1,576,297	16,753,888	4,669,811	162,799,985
2002	76,033,683	17,372,736	22,629,383	16,100,954	16,781,163	1,760,893	10,128,141	5,737,567	166,544,520
2003	77,149,074	16,879,395	25,312,912	18,820,446	17,221,718	1,532,766	10,510,809	6,931,561	174,358,681
2004	76,247,330	17,335,334	22,715,863	17,222,874	17,082,457	1,534,358	12,421,241	7,612,794	172,172,251

	<u>Percent to Total Expenditures</u>								<u>% Increase (Decrease) of Expenditures Over Prior Year</u>
1995	40.2%	12.2%	10.0%	11.1%	10.5%	2.4%	10.8%	2.8%	4.9 %
1996	40.2	12.7	10.3	11.0	10.8	2.5	9.7	2.9	7.5
1997	42.6	9.4	13.0	10.2	10.3	2.3	9.2	2.9	8.3
1998	43.2	9.6	12.7	11.5	10.5	2.2	8.0	2.4	1.8
1999	40.9	12.0	11.3	12.7	10.3	2.1	7.8	2.9	12.3
2000	42.9	10.1	11.6	11.2	10.6	1.7	9.0	2.8	2.3
2001	43.6	10.2	12.8	9.1	10.1	1.0	10.3	2.9	4.7
2002	45.7	10.4	13.6	9.7	10.1	1.1	6.1	3.4	2.3
2003	44.2	9.7	14.5	10.8	9.9	0.9	6.0	4.0	4.7
2004	44.3	10.1	13.2	10.0	9.9	0.9	7.2	4.4	(1.3)

**Note:** (1) Includes General, Special Revenue, and Debt Service Funds.

**City of Grand Rapids, Michigan**  
**General Governmental Revenues by Source (unaudited) <sup>1</sup>**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>City Income and Property Taxes <sup>2</sup></u>	<u>State Shared Taxes</u>	<u>Licenses and Permits</u>	<u>Fines and Forfeitures</u>	<u>Investment Earnings</u>	<u>Other Agencies - Grants</u>	<u>Charges for Services</u>	<u>Miscellaneous</u>	<u>Total</u>
1995	\$ 55,873,177	\$ 28,576,409	\$ 1,731,529	\$ 1,550,394	\$ 3,539,109	\$ 6,886,957	\$ 14,336,531	\$ 2,559,332	\$ 115,053,438
1996	57,387,976	30,244,493	1,687,634	1,601,361	3,603,042	8,873,249	14,665,349	2,239,766	120,302,870
1997	65,267,924	29,787,146	1,377,301	1,848,993	3,172,280	10,098,940	15,895,286	1,452,535	128,900,405
1998	66,937,505	33,448,499	1,742,338	1,974,948	3,711,200	14,283,878	16,766,376	1,686,190	140,550,934
1999	72,373,584	35,426,859	1,861,920	2,164,570	3,881,967	19,409,579	18,566,422	2,128,584	155,813,485
2000	76,386,407	38,255,232	2,228,080	2,024,220	5,022,586	15,358,147	19,766,904	2,559,083	161,600,659
2001	76,216,245	39,682,032	1,965,111	2,702,595	5,927,404	12,973,474	20,412,658	2,385,622	162,265,141
2002	75,056,137	44,491,309	2,373,116	3,999,529	3,072,882	12,024,137	22,731,240	2,409,343	166,157,693
2003	76,094,776	39,379,693	2,206,937	4,312,681	1,844,327	10,961,813	27,059,607	3,625,809	165,485,643
2004	75,654,872	38,116,803	2,110,581	4,145,387	1,519,875	1,762,094	30,805,504	3,506,228	157,621,344

	<u>Percent to Total Revenues</u>								<u>% Increase (Decrease) of Revenues Over Prior Year</u>
1995	48.6%	24.8%	1.5%	1.3%	3.1%	6.0%	12.5%	2.2%	3.8%
1996	47.7	25.1	1.4	1.3	3.0	7.4	12.2	1.9	4.6
1997	50.6	23.1	1.1	1.4	2.5	7.8	12.3	1.1	7.1
1998	47.6	23.8	1.2	1.4	2.6	10.2	11.9	1.2	9.0
1999	46.4	22.7	1.2	1.4	2.5	12.5	11.9	1.4	10.9
2000	47.3	23.7	1.4	1.3	3.1	9.5	12.2	1.6	3.7
2001	47.0	24.5	1.2	1.7	3.7	8.0	12.6	1.5	0.4
2002	45.2	26.8	1.4	2.4	1.8	7.2	13.7	1.5	2.4
2003	46.0	23.8	1.3	2.6	1.1	6.6	16.4	2.2	(0.4)
2004	48.0	24.2	1.3	2.6	1.0	1.1	19.5	2.2	(4.8)

**Notes:** (1) Includes General, Special Revenue, and Debt Service Funds. Does not include amounts for the three major construction funds.

(2) Includes special assessments.



Table 3

**City of Grand Rapids, Michigan**  
**Tax Revenue by Source - All Funds (unaudited)**  
*Last Ten Fiscal Years*

Fiscal Year	City Taxes			Proportionally Shared State Taxes						Total Tax Revenues, All Funds
	Property Tax, All Funds <sup>1</sup>	Income Tax	Sales Tax	State Income Tax	Single Business Tax	Fire Protection, State-Owned Facilities	Alcoholic Beverages Tax	Street Funds, Gas and Weight Tax		
1995	\$ 26,498,274	\$ 32,329,838	\$ 9,730,643	\$ 4,751,586	\$ 4,966,004	\$ 68,070	\$ 102,846	\$ 8,895,934	\$ 87,343,195	
1996	24,298,348	36,234,643	10,274,218	4,860,586	5,662,708	74,325	106,576	9,788,378	91,299,782	
1997	22,147,124	46,709,719	18,804,725	338,315	1,184,433	71,249	111,489	8,947,237	98,314,291	
1998	22,811,962	49,816,916	21,156,345	-	1,048,094	73,426	125,201	10,695,168	105,727,112	
1999	25,105,355	50,774,380	22,361,671	-	1,048,094	75,000	116,749	11,473,608	110,954,857	
2000	26,270,208	56,392,498	24,731,482	-	-	-	115,391	13,057,628	120,567,205	
2001	26,796,902	56,244,137	27,132,514	-	-	-	119,725	12,072,050	122,365,328	
2002	27,553,547	52,635,205	31,468,924	-	-	129,508	115,000	12,426,631	124,328,815	
2003	28,940,220	50,356,192	26,175,653	-	-	65,392	183,523	13,745,362	119,466,342	
2004	29,378,553	50,939,823	23,653,513	-	-	71,027	72,525	14,036,759	118,152,200	
									% Increase (Decrease)	
Percent to Total Tax Sources									Over Prior Year	
1995	30.3%	37.0%	11.1%	5.4%	5.7%	0.1%	0.1%	10.2%	5.57%	
1996	26.6	39.7	11.3	5.3	6.2	0.1	0.1	10.7	4.53	
1997	22.5	47.5	19.1	0.3	1.2	0.1	0.1	9.1	7.68	
1998	21.6	47.1	20.0	0.0	1.0	0.1	0.1	10.1	7.54	
1999	22.6	45.8	20.2	0.0	0.9	0.1	0.1	10.3	4.94	
2000	21.8	46.8	20.5	0.0	0.0	0.0	0.1	10.8	8.66	
2001	21.9	46.0	22.2	0.0	0.0	0.0	0.1	9.9	1.49	
2002	22.2	42.3	25.3	0.0	0.0	0.1	0.1	10.0	1.60	
2003	24.2	42.2	21.9	0.0	0.0	0.1	0.2	11.5	(3.91)	
2004	24.9	43.1	20.0	0.0	0.0	0.1	0.1	11.9	(4.97)	

**Note:** (1) Excludes the Tax Increment Financing Authority and the Grand Rapids Downtown Development Authority (discretely presented component units) and special assessments for Downtown Improvement District.

**City of Grand Rapids, Michigan**  
**Property Tax Levies and Collections (unaudited)**  
*Last Ten Fiscal Years*

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>	<u>Outstanding Delinquent Taxes</u>	<u>Percent of Delinquent Taxes to Tax Levy</u>
1995	\$ 25,506,364	\$ 25,449,932	99.78%	\$ 44,024	\$ 25,493,956	99.95%	\$ 394,679	1.55%
1996	23,351,489	23,291,192	99.74	42,290	23,333,482	99.92	412,685	1.77
1997	21,767,425	21,721,157	99.79	9,774	21,730,931	99.83	428,125	1.97
1998	22,404,743	22,349,559	99.75	36,579	22,386,138	99.92	446,730	1.99
1999	24,840,025	24,792,954	99.81	51,182	24,844,136	100.02	442,618	1.78
2000	25,462,164	25,408,588	99.79	67,130	25,475,718	100.05	431,462	1.69
2001	26,095,693	25,921,062	99.33	43,074	25,964,136	99.50	563,014	2.16
2002	27,760,859	27,593,449	99.40	64,094	27,657,543	99.63	666,329	2.40
2003	30,500,290	30,284,074	99.29	37,105	30,321,179	99.41	845,440	2.77
2004	28,727,962	28,484,072	99.15	45,693	28,529,765	99.31	1,043,637	3.63

**Note:** The tax levies and collections shown above exclude amounts payable to discretely presented Component Units.

Table 5

**City of Grand Rapids, Michigan**  
**Assessed and Estimated Actual Value of Taxable Property (unaudited)**  
*Last Ten Fiscal Years*

<u>Fiscal Year</u>	<u>Real property</u>		<u>Personal Property</u>		<u>Total</u>		<u>Ratio of Total Assessed to Total Estimated Actual Value</u>	<u>Percent Increase In Estimated Actual Value Over Prior Year</u>
	<u>Assessed/ Taxable Value</u>	<u>Estimated Actual Value</u>	<u>Assessed/ Taxable Value</u>	<u>Estimated Actual Value</u>	<u>Assessed/ Taxable Value</u>	<u>Estimated Actual Value</u>		
1995	\$ 2,367,233,300	\$ 4,734,466,600	\$ 379,503,400	\$ 759,006,800	\$ 2,746,736,700	\$ 5,493,473,400	50	3.78%
1996	2,435,685,843	4,907,546,100	390,758,144	781,528,600	2,826,443,987	5,689,074,700	50	3.56
1997	2,524,473,301	5,142,863,500	410,143,938	820,327,600	2,934,617,239	5,963,191,100	49	4.82
1998	2,603,920,064	5,364,729,900	420,543,962	861,907,800	3,024,464,026	6,226,637,700	49	4.42
1999	2,744,888,643	5,787,896,600	446,643,194	917,553,450	3,191,531,837	6,705,450,050	48	7.69
2000	2,834,117,435	6,181,406,000	474,674,145	975,926,800	3,308,791,580	7,157,332,800	46	6.74
2001	2,942,324,679	6,566,933,600	450,474,508	927,376,000	3,392,799,187	7,494,309,600	45	4.71
2002	3,107,463,373	7,181,456,200	453,916,872	951,862,000	3,561,380,245	8,133,318,200	44	8.53
2003	3,278,408,999	7,754,174,200	446,223,703	955,838,000	3,724,632,702	8,710,012,200	43	7.09
2004	3,400,307,063	8,777,377,200	408,706,400	928,311,200	3,809,013,463	9,705,688,400	39	11.43

**Note:** State statute requires all taxable property to be assessed at 50 percent of market value.

Since 1994, any increase in the amount of taxable value of any existing property has been limited each year to the lower of 5% or the rate of inflation, until the property ownership is transferred. Only the taxable portion of the assessed value is presented above under the Assessed/Taxable Value headings.

**City of Grand Rapids, Michigan**  
**Property Tax Rates and Tax Levies**  
**Direct and Overlapping Governments (unaudited)**  
**Last Ten Fiscal Years**

City of Grand Rapids											
Fiscal Year	Tax Year	General Operating	Promotional and Advertising	Library	Refuse Collection	Total City	Total School <sup>1</sup>	Total Michigan Education	Total Intermodal Transit	Total County	Total Combined
<b>Tax rates:</b>											
1995	1994	6.2648	0.0182	2.1500	1.40	9.8330	25.3097	6.0000	-	5.2252	46.3679
1996	1995	5.2648	0.0178	2.1500	1.30	8.7326	25.2888	6.0000	-	5.1014	45.1228
1997	1996	4.2600	0.0174	2.1500	1.30	7.7274	25.3088	6.0000	-	5.1090	44.1452
1998	1997	4.2600	0.0169	2.1500	1.30	7.7269	25.2988	6.0000	-	5.1166	44.1423
1999	1998	4.2600	0.0154	2.5450	1.35	8.1704	24.9060	6.0000	-	5.3664	44.4428
2000	1999	4.2545	0.0149	2.5417	1.35	8.1611	24.8426	6.0000	-	5.3551	44.3588
2001	2000	4.2332	0.0145	2.5289	1.35	8.1266	24.5635	6.0000	0.7500	5.3340	44.7741
2002	2001	4.1997	0.0138	2.5088	1.35	8.0723	24.4729	6.0000	0.7300	5.3000	44.5752
2003	2002	4.1791	0.0131	2.4964	1.35	8.0386	24.5992	6.0000	0.7480	5.3140	44.6998
2004	2003	4.1389	0.0127	2.4724	1.35	7.9740	24.2922	5.0000	0.7603	5.3140	43.3405
<b>Tax Levies:</b>											
1995	1994	\$ 17,207,906	\$ 49,991	\$ 5,905,484	\$ 3,845,431	\$ 27,008,812	\$ 46,351,282	\$ 16,480,420	\$ -	\$ 14,352,249	\$ 104,192,763
1996	1995	14,880,662	50,311	6,076,855	3,674,377	24,682,205	47,323,870	16,958,664	-	13,853,943	102,818,682
1997	1996	12,501,397	51,062	6,309,390	3,815,002	22,676,851	49,195,695	17,607,703	-	14,388,593	103,868,842
1998	1997	12,884,216	51,113	6,502,598	3,931,803	23,369,730	50,434,370	18,146,784	-	14,819,232	106,770,116
1999	1998	13,595,867	49,149	8,122,414	4,308,550	26,075,980	52,264,803	19,149,191	-	17,127,036	114,617,010
2000	1999	14,077,199	49,301	8,409,923	4,466,851	27,003,274	54,086,109	19,852,749	-	17,718,910	118,661,042
2001	2000	14,362,325	49,196	8,580,050	4,580,279	27,571,850	54,201,303	20,356,795	2,544,600	18,096,868	122,771,416
2002	2001	14,956,729	49,147	8,934,791	4,807,809	28,748,476	56,336,916	21,368,070	2,599,492	18,956,902	128,009,856
2003	2002	15,565,613	48,792	9,298,173	5,028,200	29,940,510	58,702,011	22,347,585	2,785,702	19,792,374	133,568,183
2004	2003	15,765,126	48,374	9,417,405	5,142,114	30,372,753	58,555,088	19,044,932	2,895,672	20,241,098	131,109,542

**City taxes:**

Due - July 1

Delinquent - August 1

Penalties - 1 percent per month until paid; after February 16, a total of 4 percent (3 percent penalty and 1 percent collection fee) is added.

Property tax rates - per \$1,000 of Taxable Value.

**Note:** During tax year 1994, the Homestead Rate was implemented and the Michigan Sales Tax increased from 4 percent to 6 percent.

Library includes Library Operating and Library Capital Improvement.

(1) Includes Grand Rapids Public School non-homestead rate, Kent Intermediate School District, and Grand Rapids Community College.

Table 7

**City of Grand Rapids, Michigan**  
**Computation of Direct and Overlapping Debt (unaudited)**  
**June 30, 2004**

<u>Name of Governmental Unit</u>	<u>Total Debt Outstanding</u>	<u>Balances On Hand</u>	<u>Net Debt Outstanding</u>	<u>Self Supporting</u>	<u>Debt Supported by City General Property Taxes</u>
Direct debt:					
City of Grand Rapids:					
Revenue Bonds	\$ 236,203,505	\$ -	\$ 236,203,505	\$ 236,203,505	\$ -
Grand Rapids Building Authority	100,150,000	-	100,150,000	50,112,614	50,037,386
Grand Rapids and Kent County Joint Building Authority	2,125,000	-	2,125,000	2,125,000	-
Act 175 Motor Vehicle Highway	12,555,000	-	12,555,000	12,555,000	-
Downtown Development Authority	46,805,720	5,397,427	41,408,293	41,408,293	-
Kent County Drain Commission contracts	15,075,871	-	15,075,871	-	15,075,871
Installment Purchase Agreements	4,887,889	-	4,887,889	-	4,887,889
Internal Service Installment Purchase Agreements	8,407,111	-	8,407,111	-	8,407,111
SmartZone - Local Finance Authority	3,805,000	-	3,805,000	-	3,805,000
State of Michigan Infrastructure Loan	2,177,910	-	2,177,910	2,177,910	-
State of Michigan Home Improvement Repayable Grant/Loan	22,643	-	22,643	22,643	-
<b>Total City direct debt</b>	<b>\$ 432,215,649</b>	<b>\$ 5,397,427</b>	<b>\$ 426,818,222</b>	<b>\$ 344,604,955</b>	<b>\$ 82,213,257</b>
Overlapping debt:					
			<b>Gross</b>	<b>City Share As Percent of Gross</b>	<b>Net</b>
School District of the City of Grand Rapids			\$ 22,385,000	100.00%	\$ 22,385,000
Caledonia Community Schools			98,624,837	0.11	108,487
Godwin Heights Public Schools			13,310,000	11.08	1,474,748
Grandville Public Schools			47,890,000	0.06	28,734
Kentwood Public Schools			115,060,000	10.86	12,495,516
Forest Hills Public Schools			205,170,000	1.67	3,426,339
Kenowa Hills			38,665,000	0.10	38,665
Grand Rapids Community College			60,195,000	22.32	13,435,524
Kent County			78,470,000	22.91	17,977,477
<b>Total overlapping debt</b>			<b>\$ 679,769,837</b>		<b>71,370,490</b>
<b>Total City direct and overlapping debt</b>					<b>\$ 153,583,747</b>

The City of Grand Rapids does not carry any general obligation debt or debt supported by special assessment billing and collections.

The following statistical schedules are not relevant to the City of Grand Rapids and therefore have not been included in the statistical presentation:

Special assessments billings and collections

Ratio of net general bonded debt to assessed value and net bonded debt per capita

Computation of legal debt margin for special improvements

Ratio of annual debt service expenditures for general bonded debt to total expenditures

See independent accountants' report.

Table 7

**City of Grand Rapids, Michigan**  
**Revenue Bond Coverage (unaudited)**  
*Last Ten Fiscal Years*

Fiscal Year	Gross Revenue <sup>1</sup>	Direct Operating Expenses <sup>2</sup>	Net Revenue Available for Debt Service	Debt Service Requirements				
				Principal	Interest	Total	Coverage	
Water Supply System Fund:								
1995	\$ 35,373,376	\$ 17,543,597	\$ 17,829,779	\$ 2,930,000	\$ 9,511,710	\$ 12,441,710	1.43%	
1996	36,583,057	18,838,327	17,744,730	3,080,000	8,952,801	12,032,801	1.47	
1997	36,248,123	18,621,095	17,627,028	3,240,000	8,782,001	12,022,001	1.47	
1998	37,332,905	16,784,495	20,548,410	3,420,000	8,595,669	12,015,669	1.71	
1999	35,350,854	18,679,685	16,671,169	3,605,000	8,394,379	11,999,379	1.39	
2000	35,149,804	19,263,621	15,886,183	3,810,000	8,179,929	11,989,929	1.32	
2001	35,785,814	20,945,222	14,840,592	4,085,000	7,948,069	12,033,069	1.23	
2002	37,522,806	20,524,180	16,998,626	4,210,000	7,680,133	11,890,133	1.43	
2003	39,845,409	21,344,581	18,500,828	5,040,000	6,683,900	11,723,900	1.58	
2004	38,102,756	22,860,685	15,242,071	5,215,000	6,431,900	11,646,900	1.31	
Sewage Disposal System Fund:								
1995	\$ 24,765,812	\$ 13,531,189	\$ 11,234,623	\$ 1,648,748	\$ 4,937,604	\$ 6,586,352	1.71%	
1996	27,375,510	13,910,818	13,464,692	2,910,000	4,912,117	7,822,117	1.72	
1997	27,633,940	12,830,946	14,802,994	3,060,035	5,169,342	8,229,377	1.80	
1998	30,194,764	12,688,911	17,505,853	3,279,035	5,063,861	8,342,896	2.10	
1999	28,997,913	17,303,101	11,694,812	4,090,000	4,962,273	9,052,273	1.29	
2000	30,338,739	14,990,249	15,348,490	4,225,000	4,832,105	9,057,105	1.69	
2001	32,862,464	15,521,477	17,340,987	4,420,000	8,992,558	13,412,558	1.29	
2002	33,336,969	16,253,230	17,083,739	4,560,000	7,406,142	11,966,142	1.43	
2003	35,399,884	14,227,141	21,172,743	4,701,888	7,270,048	11,971,936	1.77	
2004	33,598,127	16,938,028	16,660,099	4,841,888	7,129,146	11,971,034	1.39	

**Notes:** (1) Gross revenue includes operating revenues, interest revenue and miscellaneous revenue.

(2) Direct operating expenses are total operating expenses less depreciation expense

Table 9

**City of Grand Rapids, Michigan**  
**Demographic Statistics (unaudited)**  
*Last Ten Fiscal Years*

<b>Fiscal Year</b>	<b>Population <sup>1</sup></b>	<b>Per Capita Income <sup>1</sup></b>	<b>Median Age <sup>1</sup></b>	<b>School Enrollment <sup>2</sup></b>	<b>Unemployment <sup>3</sup></b>
1995	191,230	\$ 14,509	31.3	28,675	7.6%
1996	190,395	14,453	31.5	27,338	6.4
1997	192,600	14,453	31.5	25,740	3.7
1998	192,600	14,453	31.5	27,830	4.3
1999	187,400	18,342	31.5	27,068	5.0
2000	187,400	18,342	31.5	25,978	3.4
2001	197,800	18,342	30.4	27,415	5.4
2002	197,800	17,661	30.4	26,168	8.3
2003	197,800	17,661	30.4	25,823	9.4
2004	197,800	17,661	30.4	23,233	10.1

**Data Sources:** (1) Prior to 1999: Bureau of the Census Current Population Reports.  
1999 and later: CACI FILE 581: Population Demographics - per 2000 Census  
(2) Grand Rapids Public Schools.  
(3) Michigan Employment Security Commission, Office of Labor Market Information. Average percent for Fiscal Year.

**City of Grand Rapids, Michigan**  
**Property Value and Construction (unaudited)**  
*Last Ten Fiscal Years*

<u>Fiscal Year</u>	<u>Commercial Construction <sup>1</sup></u>		<u>Residential Construction <sup>1</sup></u>		<u>Property Value <sup>2</sup></u>		
	<u>Number of Units</u>	<u>Value</u>	<u>Number of Units</u>	<u>Value</u>	<u>Commercial</u>	<u>Residential</u>	<u>Total</u>
1995	356	\$ 52,360,350	814	\$ 48,211,791	\$ 1,471,452,200	\$ 3,263,014,400	\$ 4,734,466,600
1996	295	118,752,312	787	55,066,814	1,575,156,900	3,332,389,200	4,907,546,100
1997	283	82,681,973	739	27,489,976	1,659,956,900	3,482,906,600	5,142,863,500
1998	367	115,942,495	767	43,788,802	1,751,155,100	3,613,574,800	5,364,729,900
1999	339	149,376,630	869	35,056,390	1,887,984,800	3,899,911,800	5,787,896,600
2000	349	184,066,340	970	54,635,802	2,003,536,800	4,177,869,200	6,181,406,000
2001	356	150,719,669	937	52,056,146	2,102,985,400	4,463,948,200	6,566,933,600
2002	371	233,215,550	1076	36,044,906	2,357,647,600	4,823,808,600	7,181,456,200
2003	370	175,557,644	1363	61,032,185	2,746,052,600	5,642,014,800	8,388,067,400
2004	455	162,313,310	1268	43,396,497	2,806,989,800	5,970,387,400	8,777,377,200

Notes: (1) Neighborhood Services, actual building permits issued.

(2) Estimated actual value from Table 5.



**City of Grand Rapids, Michigan**  
**Principal Taxpayers (unaudited)**  
*June 30, 2004*

<u>Taxpayer</u>	<u>Type of Business</u>	<u>December 31, 2003 Taxable Valuation</u>	<u>Percentage of Total Taxable Valuation</u>
Steelcase, Inc.	Furniture Manufacturing	\$ 94,103,119	2.39%
Consumers Energy	Electric Utility	45,129,710	1.15
Michigan Consolidated Gas Co	Gas Utility	38,845,537	0.99
Amyway Hotel Corp.	Hotel/Real Estate	31,272,918	0.79
SH-2 LLC & BT-2 LLC	Real Estate	24,281,821	0.62
Centerpointe LLC	Shopping Center/Real Estate	22,934,132	0.58
Fifth Third Bank, Michigan	Banking/Real Estate	19,120,011	0.49
Keebler Company	Bakery Products	18,433,050	0.47
Waters Corporation	Real Estate	15,752,102	0.40
Belfry Development Corp.	Real Estate	13,617,903	0.34
		<u>\$ 323,490,303</u>	<u>8.22%</u>

**Note:** Total Taxable Valuation for largest taxpayers includes qualified real and personal properties exempted from ad valorem property taxes but subject to a specific Industrial Facilities Tax under Public Act 198 of 1974. The percentage calculation is based on the Taxable Value of \$3,934,095,825 on the ad valorem tax roll.

**City of Grand Rapids, Michigan**  
**Miscellaneous Statistics (unaudited)**  
*June 30, 2004*

Year of Incorporation - 1850

Date Present Charter Adopted - August 29, 1916

Form of Government - Commission-Manager

Area, Square Miles - 45.3

**Miles of streets:**

Major	167.57
Local	397.29
Unimproved	1.25
State trunkline	33
County primary	11

**Number of street lights** 19,026

**Fire protection:**

Number of stations	11
Number of employees	258

**Police protection:**

Number of stations	1
Number of employees	418

**Recreation and culture:**

Number of major parks	67	
Number of City-supervised playgrounds	32	
Number of golf courses	1	
Number of swimming pools	9	(6 outdoor, 3 indoor, 1/2 of indoor pools owned by Grand Rapids Public Schools)
Number of ball diamonds	70	(5 baseball, 65 softball)
Number of tennis courts	104	
Number of basketball courts	69	(full courts)
Number of wading pools	28	
Number of park lodges/gyms	4	
Number of group picnic facilities	18	(8 areas and 10 shelters)
Number of libraries	8	
Number of books	504,335	
Number of audiovisual materials	70,721	
Local historical collection items	69,095	
Local historical photographs	1,055,247	
Number of federal documents	326,618	
Number of periodicals	184,033	

continued

**City of Grand Rapids, Michigan**  
**Miscellaneous Statistics (unaudited)**  
*June 30, 2004*

Water supply system:

Number of consumers

Residential	67,266
Commercial	7,331
Industrial	324
Fire Protection	2,562

Billions of gallons produced	14.07
Miles of water mains	1,112.37
Miles of sanitary sewers	863.83

	<b>Last General Election November 5, 2002</b>	<b>Last Municipal Election November 4, 2003</b>
<b>Elections:</b>		
Number of registered voters	116,736	116,326
Number of votes cast	54,881	15,005
Percentage of active registered voters	47.01%	12.90%

**Population - Based on U.S. Census Bureau Annual Estimates**

1950	175,647
1960	197,193
1970	197,649
1980	181,843
1990	189,126
1998	192,600
2000	187,400
2001	197,800
2002	197,800
2003	197,800
2004	195,601